



ITG News



Keeping First Nations Informed

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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, with 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. Our Consultation Listening meetings, quarterly newsletters, outreach events, and self-service sections of our web site will continue, even though the ITG staff doing the work may change.

Christie Jacobs



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

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Accuracy in the Electronic Filing of BSA Forms

Many tribal casinos have taken advantage of the opportunity to remit their Bank Secrecy Act filing electronically. Although e-filing of these forms can save substantial time and improve accuracy, it is important to follow all of the required formatting.

When the filing data is received at our Detroit Computing Center, the import program is designed to recognize certain characteristics as the point of separation between fields. For example, the "Name" field requires a slash bar to separate the last name/first name/middle initial. The proper format would be "DOE/JOHN/J".

We recently discovered that one casino has filed 12,394 CTR-C forms using a space to separate the name fields, in lieu of the required slash bar. This caused the import program to treat all of the name elements as a last name, and rendered the information unusable to law enforcement personnel who routinely utilize BSA report filings to develop and sustain cases against individuals who have committed crimes.

This type of error requires correction, and can be costly to a casino if the forms must be re-done and re-transmitted. Furthermore, during the period of time that corrective action is underway, the data in the BSA filing is not in the database and is therefore not available to law enforcement personnel. This type of delay could cause harm to a potential criminal case.

While we urge all casinos to avail themselves of e-filing of BSA forms, we also urge them to carefully review the formatting and submission instructions so as to avoid simple errors that can be costly to the casino and law enforcement.

Questions concerning e-filing of BSA forms, or the requirements of the Bank Secrecy Act in general, can be directed to your assigned ITG Specialist.

Self-Assess Your Federal Tax Compliance Risks

Tribal entities can now self-assess their federal tax compliance and work with ITG to address any problems they uncover. Entities electing to participate receive a fillable template from ITG, and are provided with the name of a local ITG Specialist who will serve as their resource during the process.

Information on the program, as well as an on-line request form, is available through the "Enhancing Federal Tax Compliance" link on the right-hand of the ITG web site landing page at www.irs.gov/tribes, or you can make an inquiry about the program via e-mail to tege.itg.tefac@irs.gov

Want to Avoid Penalties?

Are you incurring penalties? Do you want to eliminate penalties in the future? ITG has a "Helpful Hints to Avoid Penalties" job aid that can assist you. It's available by ordering our "Tax Tools for Tribes" CD-Rom via e-mail at ITG.TaxTools@irs.gov.



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.
- 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 will 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, to 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, and 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 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 also is 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.



Economic Stimulus Payment Marketing Products

The IRS is encouraging various partners and stakeholders such as charities, churches and governmental organizations to assist in efforts to reach out to those Americans who may be eligible for the 2008 economic stimulus payment but who normally have no requirement to file a tax return.

Tribal governments and entities are encouraged to make sure all tribal members have the knowledge needed to ensure they receive the economic stimulus payment they are entitled to. The IRS has assembled several marketing products regarding the economic stimulus payment. Products that have been developed include: One Page Flyers, Envelope Stuffers, Radio Public Service Announcements, and Print Public Service Announcements. You can access these marketing products via the IRS Web Site at www.irs.gov and click on [Rebate Questions?](#)

Help ensure everyone in your tribe gets the economic stimulus payment due to them. Convince your tribal media to provide information, go to your local charities and help them "pass the word", have family members discuss the payments with their elders to ensure they get what they deserve!!

Poker Tournament Winnings Must be Reported to IRS

As a reminder, casinos and other sponsors of poker tournaments are required to report most winnings to winners and the Internal Revenue Service.

The new requirement, which went into effect on March 4, 2008, was contained in guidance released September 4, 2007, by the Treasury Department and the IRS. The guidance is designed to clear up confusion about the tax reporting rules that apply to poker tournaments. In recent years, some casinos and players have been confused over whether poker tournament sponsors who hold the money for participants in a poker tournament are required to report the winnings to the IRS and withhold tax on the winnings.

Beginning March 4, 2008, the IRS requires all tournament sponsors to report tournament winnings of more than \$5,000.00, usually on an IRS Form W-2G. Tournament sponsors who comply with this reporting requirement will not need to withhold federal income tax at the end of a tournament. If any tournament sponsor does not report the tournament winnings, the IRS will enforce the reporting requirement and also require the sponsor to pay any tax that should have been withheld from the winner if the withholding requirement has been asserted. The withholding amount is normally 25 percent of any amounts that should have been reported.

So the tournament sponsors can comply with this requirement, tournament winners must provide their taxpayer identification number, usually a social security number, to the tournament sponsor. If a winner fails to provide this identification number, the tournament sponsor must withhold federal income tax at the rate of 28 percent.

The IRS reminds tournament winners that, by law, they must report all their winnings on their federal income tax returns. This rule applies regardless of the amount and regardless of whether the winner receives a Form W-2G or any other reporting form.

Employee Tip Income Program Questions

ITG has a full-time Tip Coordinator to assist you with any questions about tip reporting agreements. If you are interested in securing a Tip Agreement, have questions concerning your existing agreement, or have received a notice about tip reporting responsibilities that is unclear, please contact Suzanne Perry at (602) 207-8254.



Test Your Knowledge Invalid W-4s

Situation: In reviewing a worker's Form W-4, *Employee's Withholding Allowance Certificate*, the payroll coordinator noticed that while the entries appeared to follow the Form W-4 instructions, the declaration verifying its preparation under penalties of perjury (the "jurat") was crossed out.

Question: Can the payroll coordinator process the altered, but otherwise complete, Form W-4?

Answer: Form W-4 is completed by an employee so that the employer can compute the correct amount of federal income tax to withhold from pay. The Form W-4 must be prepared and given to the employer before an employee begins employment and can be updated as needed or required. As described below, the certificate is invalid due to the jurat alteration and should not be used to determine the employee's federal income tax withholding.

Invalid Certificates: A Form W-4 certificate is invalid if it contains an alteration or unauthorized addition. An alteration includes deleting or changing the jurat language or any other material defacing of the certificate. An unauthorized addition is any writing on the certificate other than the entries requested (e.g. name, address, number of allowances, etc.) Additionally, a Form W-4 will be invalid where the employee clearly indicates it to be false (either by oral or written statements) on or before the date it is submitted to the employer.

Employer Follow-Up: When an invalid "W-4" (or an employee-developed substitute) is received, do not use it to figure federal income tax withholding. The employee should be asked for a new form. If not provided, the employer should: (1) continue relying on the last valid W-4 certificate submitted by this employee; or (2) if there is no valid W-4 on file, withhold taxes as if the employee was "Single" with no personal withholding allowances.

Other Information: Section 9 of Publication 15, (*Circular E*), *Employer's Tax Guide*, provides an overview of related topics, including: online *Withholding Calculator*, and "lock-in letters" which are issued when employees have serious underwithholding problems. This section also discusses employees claiming exemption from withholding and covers what substitute forms/electronic W-4 systems are permissible for employers, as well as withholding for social security/Medicare taxes and the employer's obligation to pay a matching amount.

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.

To add your name or e-mail address to our mailing list, please contact us via e-mail at Carole.M.Oller@irs.gov or call Carole Oller at (605) 787-5650



Payroll Recordkeeping Requirements

After finishing your year-end payroll processes, it's a good time to think about cleaning up your files. Which records can you destroy, and which must you keep? The Internal Revenue Code 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 required 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 15) for the year in which the payment was made:

- The Employer Identification Number (EIN)
- Employee name, address, occupation, and social security number
- 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
- Amount of compensation subject to withholding for federal income, social security, and Medicare taxes, and the amount withheld for each tax
- Pay period covered by each compensation payment
- The reason(s) why the total compensation and the taxable amount for each tax are different, if that is the case
- Employee's Form W-4, *Employee's Withholding Allowance Certificate*
- Beginning and ending dates of the employee's employment
- Statements provided by the employee reporting tips received
- 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*
- Fringe benefits provided to the employee and any required substantiation
- Request from an employee to use the cumulative method of wage withholding
- Adjustments or settlement of taxes
- Copies of returns filed (on paper or by magnetic media), including forms 941, 943, 944, 945, W-3, Copy A of Form W-2, and any Forms W-2 sent to employees but returned as undeliverable
- Amounts and dates of tax deposits

Department of Labor, State Requirements

There are also record retention requirements set by the Department of Labor (DOL), as well as wage-hour and unemployment insurance agencies on the state level. Read the DOL's rules at http://www.dol.gov/dol/topic/wages/wages_recordkeeping.htm. Links to all state agencies are available at <http://www.americanpayroll.org/weblink/statelocal>.

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 News For You!

Individual Tribal Member Information

Can't Pay Your Taxes On Time? There is Help Available!

It is always in your best interest to file your tax return on time and pay your tax liability in full to avoid the assessment of failure to file and failure to pay penalties and interest. But what happens if you find yourself in a situation where you owe more tax than you can pay when it is due? First, make sure you file your tax return on time! This will prevent the assessment of failure to file penalties. But what about paying the tax?

Fortunately, there are several options for individuals who find themselves in this situation. If you are unable to pay your full tax bill, consider financing the amount due through loans, such as a home equity loan from a financial institution or a credit card. The interest rate a bank charges is usually lower than the combined interest and penalties imposed by the Internal Revenue Code.

Pay by Credit Card—Taxpayers can charge taxes on their American Express, MasterCard, Visa or Discover cards. To pay by credit card, taxpayers should contact one of the service providers at their telephone number or Website listed below and follow the instructions. The service providers charge a convenience fee based on the amount of tax you are paying. You should not add the convenience fee to your tax payment.

- Link2Gov Corporation: 888-PAY-1040 (888-729-1040), www.PAY1040.com
- Official Payments Corporation: 800-2PAY-TAX (800-272-9829), www.officialpayments.com

If this option is not possible for you, then you can work with the IRS to see if one of our payment options would help you meet your obligation.

Online Payment Agreement (OPA) at www.irs.gov. There are three options when applying online to pay your taxes.

1. **You can pay in full.** You agree to pay in full — you will save penalties and interest. This is what you could use if you finance your tax bill with a home equity loan or a credit card cash advance.
2. **You can be granted a short term extension.** If you cannot pay in full at this time, you may be eligible for a short term extension of time to pay of up to 120 days.
 - There is no fee for an extension to pay.
 - If we grant online approval of your request for a short term extension, you will receive written confirmation within 10 days.
3. **You can ask for a monthly payment plan if you owe less than \$25,000.** If you cannot pay in full within 120 days, you may be eligible to make monthly installment payments.
 - You must have filed all of your required tax returns that are due.
 - There is a one-time user fee that will be added to the amount you owe. The fee is:
 - a. \$105 for individuals who will pay by check each month,
 - b. \$52 for plans where the payments are deducted directly from your bank account,
 - c. \$43 for eligible individuals with income at or below certain levels who apply and qualify.

If you owe more than \$25,000 in combined tax, penalties, and interest you may still qualify for an installment agreement, but a Form 433-F, *Collection Information Statement*, may need to be completed. Call the number on your tax bill or mail Form 9465, *Request for Installment Agreement*, and Form 433-F to the address on the bill.

Economic Stimulus Payment — If you are receiving an economic stimulus payment and you owe federal income taxes for a prior year or this year, part or all of your payment will 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.



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

Return Filing Dates

April 30th

- > File Form 730 and pay the tax on applicable wagers accepted during March.
- > File Form 941 for the 1st quarter of 2006. 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 accepted during April.

June 30th

- > File Form 730 and pay the tax on applicable wagers 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.