



ITG News



Keeping First Nations Informed

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Navajo Chapter Edition

Message from the Director

As we begin the final quarter of the federal government's 2008 fiscal year, our office is undertaking our annual Customer Satisfaction Survey. This will be our sixth year for the survey, which is a valuable tool that helps us better understand the federal tax administration needs of Indian tribal governments.

I want to take this opportunity to communicate how strongly I feel about the survey, and how important the results are in the formulation of future activities. In each of the prior 5 years, we have convened a team to analyze the feedback. We have developed specific actions to address the concerns raised, and we have reinforced existing actions where the respondents indicated a high level of satisfaction. While we always seek opportunities for improvement, we also recognize that we need to maintain those areas that appear to be working well.

We have posted the results of the survey to the ITG web site at www.irs.gov/tribes each year, and we have used ITG News as the mechanism to share the changes we have implemented based on survey feedback. One of the major issues surfaced last year was a need for improved federal tax information for tribal members. While their tax issues are the purview of other IRS operating divisions, we are taking specific steps to assist in this area, including the creation and issuance of a primer on Individual Indian Issues which was sent to each tribe via CD-Rom. We also distributed flyers, envelope stuffers, posters, and Public Service Announcements on the Economic Stimulus payments. We are currently working to get improved information on tribal member tax issues to the VITA sites that service tribal areas.

The 2008 Customer Satisfaction Survey is currently in the mail to each tribe. I urge you to complete it and return it in the postpaid envelope as soon as possible. All responses are anonymous unless you choose to identify yourself, but your feedback is invaluable to us. As always, we will publish a summary of the results, as well as a listing of activities we will undertake to further improve our performance. I want to thank everyone in advance for their participation in this vital process.

Christie Jacobs



*....your feedback is
invaluable to us.....*

IN THIS ISSUE

Message from the Director	1
Consultation Procedures	2
Deterring Theft of Tribal Funds	3
The First Navajo Nation Chapter IRS Newsletter	4
Your Indian Tribal Governments Specialists	4
Employment Tax Workshops	5
Employment Tax Tips	5
Economic Stimulus Payments	7
Tax Calendar for the 3rd Quarter 2008	8/9



Consultation Procedures

As most everyone is aware, federal agencies are required to consult with tribes on issues that primarily affect them. In order to ensure that the IRS is in conformance with this requirement, we have developed procedures that spell out how we will implement the requirement. This was done with substantial input of tribal representatives, and has a two-pronged approach.

First, we have open “listening meetings” four times per year, on a rotating basis throughout each of the regions of the Bureau of Indian Affairs. These meetings are advertised via ITG News, as the headline on the ITG Internet page at www.irs.gov/tribes, and via a direct mailing to each tribal leader in the area where a meeting is scheduled. These meetings represent an opportunity for the IRS to share information on current and pending events, but more importantly are a venue for tribes to raise their questions, concerns, and suggestions. Our next scheduled meeting is planned for Billings, Montana on August 14th between 1:00 and 4:00pm.

The second component of our Consultation procedures involves the opportunity for tribes to request ad hoc discussions with the IRS on any specific issue that they wish to raise. This can be done via a telephone call to ITG Director Christie Jacobs at 202-283-9800, or via an e-mail link on the Consultation web page at www.irs.gov/tribes.

To date, we have met with over 250 tribal representatives through these procedures, and the feedback has been invaluable. Please watch future editions of ITG News, as well as the ITG web site, for information on future meetings.

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.



Deterring Theft of Tribal Funds

As tribal economies continue to evolve and expand, many tribes are involved in multi-million dollar projects. These projects are very diverse, and range from construction of new gaming facilities, to formation of manufacturing entities, to development of wind energy farms. As we visit tribal homelands, it is always encouraging to see development, and listen to the hope it brings to tribal members.

At the same time, these economic projects bring great risk to the tribe as well. All ventures carry the inherent risk that the return on the investment may not be as high as projected, or that external factors may adversely affect the marketplace after the development is completed. Of equal importance is the risk to tribal finances that can occur during the project development process, or through contracting for operation of the development once it is functioning.

We recently completed action on a case where several individuals diverted loan proceeds which the tribe had borrowed to aid in a casino development project. Since the overall project required the tribe to borrow in excess of \$10 million, the \$300,000 diverted by these individuals was not immediately noticed. The three perpetrators used the money for personal purposes, while the tribe repaid the debt as part of its overall loan obligation without realizing that they had lost the use of the money.

When adequate internal controls are lacking, it becomes too easy for an unscrupulous individual to divert tribal funds for an unintended use. The scheme can be covered up through mechanisms such as false invoicing – billing for services never performed, ghost employees – payroll checks to fictitious individuals, or petty cash fund payments for goods never actually acquired. There are any number of ways someone can cover their tracks by creating false records, which appear credible at first glance.

In the end, the lack of adequate internal controls always costs a tribe money, and funds that should be used for programs for tribal members end up personally benefiting someone who has found a loophole in the system.

How do you prevent this? First, tribes need to ensure that they have in-depth internal controls, so that no one individual controls both the receipt and expenditure of money. Second, annual audits are essential, both to identify problems, and to ensure potential perpetrators are aware that records will be reviewed. Last, when you uncover misuse of tribal funds for someone's personal gain, contact ITG so that we can pursue the tax consequences to the individual. Deterring individuals from attempting to personally gain at the expense of the tribe starts with having procedures in place to increase the likelihood they may be caught, and ends with a commitment that the tribe will do whatever it can to ensure the perpetrator pays for their illicit gain.

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



The First Navajo Nation Chapter IRS Newsletter

Isn't it about time you had an IRS newsletter that addresses issues at the Chapter level? Well, that time has come. This is the first of many (We hope!) editions that will provide you, the Chapter Official, the Office Specialist, the Community Service Coordinator, or accounting specialist, with IRS information that you can use. We hope to provide interesting and informative articles that give you new tools to do your job more effectively and efficiently.

We welcome your input as to the articles you would like to see in the future. Remember, if you have a question, there are probably others who have the same needs. If you have any suggestions for future articles, please forward them to Jim Crook at (505) 837-5613, Fax (505) 837-5654, or Email: Jimmy.C.Crook@IRS.GOV

Your Indian Tribal Governments Specialists

Sometimes you just need a little help and other times you need more. ITG has assigned a Specialist to each of the Navajo Nation Agencies and Chapters. The following Specialists are your IRS contacts:

Eastern Agency	Jim Crook	(505) 837-5613	Fax (505) 837-5654
	Email:	Jimmy.C.Crook@IRS.GOV	
Northern Agency	Lonnette Graham	(505) 837-5536	Fax (505) 837-5654
	Email:	Lonnette.L.Graham@IRS.GOV	
Western Agency	Theresa Nosie	(480) 503-7318	Fax (480) 503-7320
	Email:	Theresa.S.Nosie@IRS.GOV	
Chinle Agency	Aaron Coleman	(602) 207-8751	Fax (602) 207-8002
	Email:	Aaron.H.Coleman@IRS.GOV	
Ft. Defiance Agency	Michelle Risk	(520) 205-5022	Fax (520) 670-4661
	Email:	Michelle.L.Risk@IRS.GOV	

Feel free to contact any or all of them if you need assistance. If you can't get a hold of any of the Specialists, just call our Manager: Anita Gentry at (505) 837-5573, Fax (505) 837-5654, or Email: Anita.D.Gentry@IRS.GOV.



Employment Tax Workshops

Since November 2007 ITG has offered Employment Tax Workshops to Navajo Nation Chapter Officials and the office staff. The Workshops were intended to provide employment tax information to Chapter administrators to ensure the correct preparation of employment tax forms and timely deposits of withheld and matching taxes.

In the last six months, nearly all of the Chapters participated in one of the Workshops. There are a few Chapters who were unable to attend or have recently hired new personnel to accomplish their employment taxes. To those Chapters, we invite you to request, thru your LGSC representative, a space in the next planned Employment Tax Workshop to be held in Albuquerque during the Fall of 2008.

Employment Tax Tips

Speaking of Employment Taxes! While presenting the Employment Tax Workshops there were three recurring themes that Chapters found challenging.

First, Deposits Requirements. Many Chapters have received Penalty Notices from IRS because they had not deposited their employment taxes timely. Chapters who owe less than \$2500 in Employment Taxes for the quarter are allowed to send in the amount with the quarterly Form 941 *Employer's Quarterly Federal Tax Return*. If you owe \$2500 or more you MUST deposit the monthly liability on a monthly or a semiweekly basis.

Second, Form 941s. A few common errors were found. On page two of the Form 941, Line 15 seemed to give a number of preparers trouble. For many Chapters, you will check the FIRST box. This box tells IRS that you owed less than \$2500 in employment taxes for the quarter and you should be sending in a check with your Form 941. The SECOND box says you are a monthly depositor and that you owe \$2500 or more in employment tax for the quarter and that you made deposits electronically or at the bank during the quarter. The LAST box tells IRS that you are a semi-weekly depositor, and that you are providing a Schedule B *Report of Tax Liability for Semiweekly Schedule Depositors* attached to your Form 941. The Schedule B tells IRS when you needed to deposit your withheld employment taxes throughout the quarter.



Third, the Last Challenge: End of Year Reconciliations. The Chapter receives a Notice from IRS or the Social Security Administration that says your Form W-3 *Transmittal of Wage and Tax Statement*/Form W-2s *Wage and Tax Statement* and Form 941 or Form 944 *Employer's ANNUAL Federal Tax Return* do not match. What the heck are they talking about?

At the end of each year, you should reconcile your Form 941s to your Form(s) W-3 and W-2s. This sounds simple but can present challenges. A good time to do this is in January, before you file the prior year's final Form 941 and the Form W-3/W-2s.

The first step is to get all four quarters of Form 941 or the annual Form 944. Second, add the figures from the Form 941s for the following amounts: Gross Wages, Federal Income Tax Withheld, Social Security Wages, Social Security Tax, Medicare Wages, and Medicare Tax. Once you have your totals, you should compare these with the Form W-3. These figures should match within a dollar. Remember, the Form W-3 only shows one half the Social Security and Medicare Tax, so you have to multiply the two taxes times two to balance with the Form 941 totals. Now check the Form W-2s to make sure they add up to the amounts on the Form W-3. If everything matches you are doing a superior job! If you need a little help, just call your ITG Specialist.

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.

Tax News For You!

Individual Tribal Member Information

IRS Wants Retirees and Disabled Veterans to File for Their Economic Stimulus Payments

The IRS announced a new summer campaign to reach those retirees and disabled veterans who qualify for the economic stimulus payment but have not filed to claim it. New statistics released indicate about 74 percent in this group are accounted for in the stimulus payments currently being sent, leaving about 5.2 million potential recipients remaining.

Later this summer, the IRS will send these potential recipients a special letter that explains stimulus payment eligibility and how to claim it. The letter will include a sample tax form and an actual tax form that people can complete and mail to the IRS. This will be the second special mailing to reach those individuals.

The Economic Stimulus Act of 2008 provides for people who have no tax liability or no tax filing requirement, there is a minimum payment of \$300 (\$600 for married couples), plus the \$300 for each qualifying child. To be eligible for the minimum payment, individuals must have at least \$3,000 in qualifying income. Qualifying income includes any combination of earned income, nontaxable combat pay and certain benefit payments from Social Security, Veterans Affairs and Railroad Retirement. The types of Social Security benefits that are considered qualifying income include retirement, disability and survivor payments. Supplemental Security Income (SSI) is not qualifying income. The types of Veterans Affairs benefits that are considered qualifying income include disability compensation, disability pension and survivor payments. Qualifying Railroad Retirement payments include the social security equivalent portion of Tier 1 benefits.

Don't be left out. With qualifying income, be sure to file a tax return by October 15, 2008 to receive the economic stimulus payments. For additional information, go to www.irs.gov.



Federal Tax Calendar for Third Quarter 2008

July 2008

Sun	Mon	Tue	Wed	Thu	Fri	Sat
		1 <i>File Form 11-C for the annual Occupational tax</i>	2 * make a deposit for 6/25-6/27	3	4	5
6	7 * make a deposit for 6/28-7/1	8	9 * make a deposit for 7/2-7/4	10 Employees report June tip income to employers if \$20 or more	11 * make a deposit for 7/5-7/8	12
13	14	15 ** make a deposit for June if under the monthly deposit rule	16 * make a deposit for 7/9-7/11	17	18 * make a deposit for 7/12-7/15	19
20	21	22	23 * make a deposit for 7/16-7/18	24	25 * make a deposit for 7/19-7/22	26
27	28	29	30 * make a deposit for 7/23-7/25	31 <i>File Form 730 for wagers received during June</i> <i>File Form 941 the 2nd calendar quarter of 2008</i>		

August 2008

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

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

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

8

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



September 2008

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

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

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

Return Filing Dates

July 1st

- > File Form 11-C to register and pay the annual tax if you are in the business of taking wagers

July 31st

- > File Form 941 for the 2nd quarter of 2007. If all deposits paid on time and in full, file by August 11th.
- > File Form 730 and pay the tax on applicable wagers accepted during June.

September 2nd

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

September 30th

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