

## Other Tax Issues Compliance Self-Assessment For Public Employers

### Introduction

Public employers have unique legal requirements for compliance with federal tax and Social Security laws. These employers need to be aware of the rules that apply to them and their workers (both employees and independent contractors); especially those related to federal income, Social Security and Medicare taxes and public retirement system obligations.

The Form 14581 series consists of seven topical employment tax Compliance Self-Assessment tools, listed below, for voluntary use by government entities to conduct self-assessments of their compliance with these requirements. The forms have fillable check box and text fields so they can be completed electronically or printed and completed manually.

#### For use by Federal, State and Local Government Entities

- Form 14581-A Fringe Benefits Compliance Self-Assessment
- Form 14581-B International Issues Compliance Self-Assessment
- Form 14581-D Other Tax Issues Compliance Self-Assessment
- Form 14581-G Worker Status Compliance Self-Assessment

#### For use by State and Local Government Entities Only

- Form 14581-C Medicare Coverage Compliance Self-Assessment
- Form 14581-E Retirement Plan Coverage Compliance Self-Assessment
- Form 14581-F Social Security Coverage Compliance Self-Assessment

The self-assessment tools are designed to help public employers identify areas that indicate potential compliance issues. They are intended to be completed by those responsible for withholding and paying employment taxes and filing required information returns. Each topic contains brief information on the law with links to IRS publications and other authoritative resources that provide more information.

**Note:** The self-assessment tools are intended as general guides to the most common tax issues that public employers may encounter and direct those entities to additional information as necessary. The tools are provided for general information only. They don't constitute legal advice or determinations by the IRS regarding particular tax situations and they don't cover every question that may be encountered. The sources cited should be reviewed for additional information.

### Common Errors

The following common errors were identified during IRS audits of public employers:

- Totals shown on Forms 941 or Form 944 do not reconcile with totals on Forms W-2 and W-3, or between these forms and the accounting records.
- Forms W-9 and W-4 are not being used or are not being updated when necessary.
- Failure to backup withhold on payments to vendors when required.
- Failure to correctly complete or file Forms 1099.
- Failure to apply accountable plan rules to reimbursements and allowances.
- Incorrect or missing employment tax deposits.
- Failure to follow electronic filing requirements.
- Treatment of certain groups of workers as independent contractors instead of as employees.
- Failure to pay and withhold Medicare-only tax on rehired annuitants.
- Failure to include taxable noncash benefits in employee wages.
- Failure to apply correct withholding rules to election workers and public officials.

#### For Assistance While Completing the Self-Assessment Tools:

The following federal tax information applicable to the topics addressed in this Compliance Self-Assessment Tool is available on the IRS website:

- Tools for Federal, State and Local Governments
- Publication 15, Employer's Tax Guide
- Publication 15-A, Employer's Supplemental Tax Guide
- Publication 15-B, Employer's Tax Guide to Fringe Benefits
- Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities
- Publication 963, Federal-State Reference Guide
- Publication 1281, Backup Withholding for Missing and Incorrect Name/TIN(s)
- Publication 1779, Independent Contractor or Employee
- Publication 5137, Fringe Benefit Guide
- Publication 5138, Quick Reference Guide for Public Employers
- Government Retirement Plans Toolkit
- Governmental Plans under Internal Revenue Code Section 401(a)

**Other Tax Issues Compliance Self-Assessment  
For Public Employers**

**Other Tax Issues** – Publication 15

	Yes	No	Follow Up
<b>1. Employment Tax Returns</b>			
a. Were required tax returns, for example, Form 941 or Form 944 and Form 945 (if applicable) filed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Were the required tax returns from a. filed by the due date	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Were the required tax returns from a. complete and accurate	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d.i. Do wage and withholding amounts for income, Social Security and Medicare reconcile between Forms W-3, W-2 and 941	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d.ii. Do the amounts reported on the forms reconcile to the accounting records	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>2. Form W-4, Employee's Withholding Allowance Certificate</b>	Yes	No	Follow Up
a. Is a valid Form W-4 on file for each employee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Are Forms W-4 secured prior to initial payment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Are all Forms W-4 properly completed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Is a new Form W-4 secured by February 15 of each year from each individual who claimed an exemption from income tax withholding in the prior year	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>3. Tax and Information Returns</b>	Yes	No	Follow Up
<b>Are you required to file any of the following federal tax or Information Returns</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>If yes, did you file timely and accurately</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
a. Form W-2, Wage and Tax Statement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Form W-3, Transmittal of Wage and Tax Statements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Form CT-1, Employer's Annual Railroad Retirement Tax Return	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Form 720, Quarterly Federal Excise Tax Return	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Form 990, Return of Organization Exempt from Income Tax	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Form 990-T, Exempt Organization Business Income Tax Return	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g. Form 1096, Annual Summary and Transmittal of U.S. Information Returns	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h. Form 1099-G, Certain Government Payments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
i. Form 1099-INT, Interest Income	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
j. Form 1099-MISC, Miscellaneous Income	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
k. Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
l. Form 1098-E, Student Loan Interest Statement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
m. Form 1098-T, Tuition Statement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
n. Form 8300, Report of Cash Payments over \$10,000 Received in a Trade or Business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Note:** All forms and instructions are available at [www.irs.gov/forms-pubs](http://www.irs.gov/forms-pubs)

4. Independent Contractor Reporting	Yes	No	Follow Up
a. Does the entity make payments for services to independent contractors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. If yes, is Form W-9, Request for Taxpayer Identification Number and Certification, used to secure taxpayer identification numbers (TINs) from the independent contractors prior to initial payment  <b>Note:</b> Form W-9, or its equivalent, should be secured from all contractors before any payments are made, to help ensure that the payee's name and taxpayer identification number are accurate.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Are all Forms W-9 properly and thoroughly completed and signed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Are Forms 1099-MISC filed for all independent contractors (except for some legally exempt ones) for payments aggregating \$600 or more per year	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Does the entity file Form 1099-MISC for payments to individuals, partnerships and certain corporations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Does the entity file Form 1099-MISC for attorney payments (including incorporated payees)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g. Does the entity file Form 1099-MISC for medical and health care payments (including incorporated payees)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>5. Backup Withholding</b>	Yes	No	Follow Up
Did the entity backup withhold income tax on any reportable payments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Backup withholding is required on reportable payments made to a U.S. person if:

- 1) The U.S. person did not provide its TIN in the manner required; or
- 2) The IRS notifies the payer that the TIN is incorrect. Generally, a TIN must be provided on Form W-9. A payer reports backup withholding on Form 945.

**Note:** Payments subject to backup withholding at the source are reported on forms 1099-B, DIV, INT, K, MISC, PATR, OID.

**Note:** Notice CP2100 is issued in situations where prior year information returns contained missing or incorrect TINs and name/identification number mismatches.

For additional information on backup withholding, see Publication 1281, Backup Withholding for Missing and Incorrect Name/TINs and Publication 15, (Circular E), Employer's Tax Guide.

Notes/Follow-up

You have completed the **Other Tax Issues** Compliance Self-Assessment.