

Social Security
Administration

Internal
Revenue Service

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Department of the Treasury
Internal Revenue Service

www.irs.gov

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Reporter

Spring 2004

A Newsletter
for Employers

Employment Tax *e-file* System: Attention All Employers

Have you started filing your employment tax forms electronically?

Were you using the Magnetic Tape method to file your Form 940, *Employer's Annual Federal Unemployment Tax Return* and Form 941, *Employer's Quarterly Federal Tax Return* in the past? Since Magnetic Tape filing was discontinued in February 2004, have you moved up to the convenience of electronic filing for these two business tax returns? If you haven't taken the steps to do this yet, don't wait any longer. Check with your tax professional or software provider to see if they offer this service.

What are the Benefits/Features of e-filing your 940 & 941's?

Convenient

- Electronic Acknowledgement within 48 hours.
- Integrated "File" and "Pay" option.

Fast

- Information is quickly available to IRS Customer Service sites.
- Processing time is reduced to one week or less.

Accurate

- Fewer risks of transcription errors.
- Error rates less than one percent.

Safe

- Tax information is secure.
- Only authorized users have access to the system.

Social Security Announces New *e-filing* Requirement

If your company files W-2s with SSA on magnetic tape or cartridge, you will be required to file electronically beginning in tax year (TY) 2005 (that's W-2s due in calendar year 2006). Similarly, if your company files W-2s with SSA on diskette, you will be required to file electronically starting in TY 2006 (W-2s due in calendar year 2007).

Companies who currently file on magnetic tape, cartridge or diskette format their reports according to SSA's Magnetic Media Reporting and Electronic Filing format (MMREF). Filing electronically uses the same MMREF format, so reprogramming is not necessary. All you need to do is follow your same year-end process up to the point where you would copy the W-2 report onto a tape, cartridge or diskette and mail it to SSA. Instead, you'll log onto our website and upload the file. It's really that simple. You'll need to register first for a PIN and Password that you may already have since the PIN is required in the RA - Submitter Record in your wage report. (See Registration Box for more information).

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New Program for Business Taxpayers Saves Time and Money When Paying Taxes

EFTPS
Electronic Federal Tax Payment System

In January, the Internal Revenue Service launched a new initiative for business taxpayers. This product is available using the Electronic Federal Tax Payment System (EFTPS), a service offered free by the U.S. Department of the Treasury. EFTPS lets you make your federal tax payments online or by phone.

The new initiative, **EFTPS Express Enrollment for New Businesses**, affects businesses receiving a new Employer Identification Number (EIN). As of January 2004, business taxpayers requesting a new EIN, who indicate they will have a federal tax obligation, will be automatically pre-enrolled in EFTPS to make their federal tax deposits.

In addition to receiving their EIN, taxpayers will receive a separate mailing containing an EFTPS Personal Identification Number (PIN) and instructions for activating their enrollment. New business taxpayers will activate their enrollment by calling an 800-number, entering their banking information, and completing an authorization for EFTPS to transfer funds from their account to Treasury's account for tax payments per their instructions.

You can enroll in EFTPS online at <http://www.eftps.gov>, or by calling EFTPS Customer Service at 800-555-4477 or 800-945-8400 to receive an enrollment form by mail. 

941TeleFile Now Available For All Form 941 Filers With a Zero-Wage Return

Beginning April of 2004, all U.S. based (domestic) taxpayers may file their "Zero-Wage" Form 941, *Employer's Quarterly Federal Tax Return*, by telephone using the 941TeleFile system. Eligible filers must have had:



- (a) No withholding,
- (b) No deposits, and
- (c) No taxes to report for the quarter.

Call 800-583-5345 (toll-free) and follow the voice prompts. Look for the purple flyer in your tax package for complete details. The 941TeleFile phone lines are open 24 hours a day, 7 days a week.

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Backup Withholding "B" Notices

The Information Reporting Program Customer Service Section at the IRS Martinsburg Computing Center (MCC) has contact representatives who answer tax law questions concerning information returns, including questions about the backup withholding (BWH) and incorrect information penalty programs. The following is a selection of the most commonly asked questions concerning backup withholding "B" notices.

Q. What is the backup withholding program?

A. Internal Revenue Code (IRC) Section 6109(a)(1) requires a payer to include a correct Taxpayer Identification Number (TIN) on certain Forms 1099 with income subject to backup withholding (BWH). These forms include 1099-B, 1099-DIV, 1099-INT, 1099-MISC, 1099-OID, and 1099-PATR. IRC Section 6109(a)(2) requires a payee to furnish their correct TIN to the payer. IRC Section 6109(a)(3) requires a

payer to request the correct TIN and include it on information returns submitted to IRS. Payers who file information returns with missing or incorrect TINs are subject to penalties for failure to file correct information to IRS. The BWH program provides information to payers about the missing and incorrect TINs they submitted to IRS.

Q. What is a backup withholding CP2100/CP2100A "B" Notice?

A. CP2100/CP2100A "B" Notice "Backup withholding explained" is used for the purpose of soliciting correct name/TIN combinations. There are actually two "B" notices—the First "B" Notice and the Second "B" Notice. The text of the Second "B" Notice is different from that of the First "B" Notice. It instructs the payee to contact IRS or the Social Security Administration (SSA) to obtain the correct name/TIN combination as shown in their records.

Q. What should I do if I receive a CP2100 or CP2100A notice from the IRS?

A. First, compare the listing(s) with your records. **For missing TINs:** If you have not already started backup withholding, begin doing so immediately and continue until you receive the TIN. You must make three solicitations for the TIN (initial, first annual, second annual), to avoid a penalty for failing to include a TIN on the information return. **For incorrect TINs:** Compare the accounts on the listing with your business records. If they agree, send the appropriate "B" Notice to the payee. If an account *does not agree*, this could be the result of a recent update or an IRS processing error. If this type of error occurred, you need to correct or update your records.

You must send the First "B" Notice and a Form W-9, *Request for Taxpayer Identification Number and Certification*, to a payee after you

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ITIN Reminder

The IRS reminds employers that Individual Taxpayer Identification Numbers (ITINs) are not valid for employment and should not be reflected on workers' Forms W-2, *Wage and Tax Statement*.

ITINs are for federal tax reporting only, and are not intended to serve any other purpose. An ITIN does not authorize work in the U.S. or provide eligibility for Social Security benefits or the Earned Income Tax Credit.

An ITIN is a tax processing number issued by the Internal Revenue Service. It is a nine-digit number that always begins with the number 9 and has a 7 or 8 in the fourth digit (example: 9XX-7X-XXXX). IRS issues ITINs to individuals who are required to have a U.S. taxpayer identification number but who do not have, and are not eligible to obtain, a Social Security Number (SSN) from the Social Security Administration (SSA).

The IRS issues ITINs to help individuals comply with the U.S. tax laws, and to provide a means to efficiently process and account for tax returns and payments for those not eligible for SSNs. By law, an alien individual cannot have both an ITIN and an SSN.

ITINs are issued regardless of immigration status because both resident and nonresident aliens may have U.S. tax return and payment responsibilities under the Internal Revenue Code.

To qualify to work in the U.S., employees must possess, or have applied for, SSNs. Employers must verify SSNs to avoid penalties for improper use of the numbers.

Information about reporting Social Security wages and verifying SSNs is on the Social Security Administration (SSA) website at <http://www.socialsecurity.gov>. 

Employment Tax e-file System continued from page 1

Paperless

■ Personal Identification Number (PIN) is used as the business filer's signature.

What are you waiting for? Treat yourself to the ease and convenience of the Employment Tax e-file System. Contact your software provider or tax professional today. Or visit

the IRS Web site at <http://www.irs.gov>. Just click on the e-file logo, then choose e-file for Business and Self-Employed Taxpayers. Here you'll find a link to Approved IRS e-file for Business Providers, including links to companies who offer support the Employment Tax e-file System. 

941TeleFile continued from page 2

The 941TeleFile program is an electronic IRS e-file option designed specifically for eligible businesses that choose to electronically file Form 941, *Employer's Quarterly Federal Tax Return*, using a Touch-Tone telephone. The 941TeleFile program uses an interactive computer program that calculates the qualified caller's tax liability or any overpayment and begins the electronic filing process over the phone. This program is free and it's totally

paperless. You are not required to mail forms.

In addition, 941TeleFile users can elect to electronically and simultaneously pay any balance due on the return by using Electronic Funds Withdrawal (EFW), formerly known as Direct Debit (automatic withdrawal).

For more information on 941TeleFile and other IRS e-file for Business Programs, just log on to <http://www.irs.gov> and click on the e-file logo. 

New e-filing Requirement

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Social Security receives 236.5 million W-2s a year. Fifty-four percent of them are now transmitted electronically. Find out why so many businesses choose e-filing. Visit <http://www.ssa.gov/bsa/bsowelcome.htm> today. You'll be glad you did.

How to Register for a PIN and Password

To register for a PIN and Password (needed to file W-2s electronically with SSA) just follow these three steps.

1. Go to: <http://www.socialsecurity.gov/bsa/bsowelcome.htm>.

2. Select *Registration* and follow the prompts.

3. A Personal Identification Number (PIN) will be issued immediately (on-screen). We'll mail you a temporary password within 10 to 14 days. Change the password right away to one you personally select.

Note: If you file on magnetic media, you probably already have a PIN because it's required in the MMREF RA Submitter Record. If you've registered but don't know your PIN and/or password, call 800-772-6270.

Magnetic Media Out—Electronic Filing In

Social Security will require magnetic tape and cartridge filers to submit W-2 reports to SSA electronically by TY 2005 (that's W-2s due to SSA in calendar year 2006). Likewise, diskette filers will be required to submit W-2 reports electronically by tax year 2006 (W-2s due to SSA in calendar year 2007).

Type of Media	Last Year Accepted by SSA	Electronic Filing of W-2s Required In:
Magnetic Tapes 3480/3480E Cartridges 3490/3490E Cartridges	TY 2004 (W-2s submitted in calendar year 2005)	TY 2005 (W-2s submitted in calendar year 2006)
Diskettes	TY 2005 (W-2s submitted in calendar year 2006)	TY 2006 (W-2s submitted in calendar year 2007)



You are Invited to Attend...

What: Social Security's National Payroll Reporting Forum

Who: Employers, payroll professionals, wage and tax submitters and others interested in the latest changes for the upcoming tax season, filing electronically, hiring foreign workers, identity theft, and more.

When: May 20, 2004
9:00 a.m. - 4:30 p.m.

Where: Social Security's Main Headquarters
Altmeyer Auditorium
6401 Security Boulevard
Baltimore, Maryland 21235

How: Attendance is free but pre-registration is required.

Go to <http://www.socialsecurity.gov/employer> and select National Payroll Reporting Forum for registration form and information.

The forum is sponsored jointly by Social Security and the Internal Revenue Service. The agenda will include time for Federal agencies and the business community to identify, discuss and resolve common wage and tax reporting issues. Invited agencies include: U.S. Citizenship and Immigration Services, (formerly the Immigration and Naturalization Service), the Department of Labor, and the Administration for Children and Families.

Plan to attend and have a voice in federal government initiatives that will affect the way YOU do business. 

Employers Sending Child Support Payments Electronically

Payments by phone? Payments by computer? Payments over the web? These are the newest ways for employers to submit child support payments.

Background

Employers previously sent child support payments by paper check, in many cases to several different locations in each state. In 1996, federal legislation passed requiring each state to establish a centralized payment-processing site, called a "state disbursement unit" (SDU), for the collection of child support payments. The SDUs must be able to receive child support payments electronically by Electronic Funds Transfer (EFT) through the banking system. Electronic payments means sending an electronic credit transmission from the employer's computer to the employer's bank and then on to the bank of the SDU.

Thousands of paper checks still arrive at the SDUs daily. They must be opened,

scanned, identified, deposited, credited to the appropriate accounts, and disbursed to custodial parents. More than 77% of payments come from employers implementing mandatory withholding from paychecks. Expediting this process is crucial because the SDU must disburse those payments to custodial parents within two days of receipt.

Advantages of Electronic Payments

States prefer to receive payments electronically because it saves them time and money and gets money to families faster. There are benefits to employers as well. E-payments can:

- Eliminate postage and check-processing costs,
- Expedite payments, reduce problem calls, and
- Improve the speed and accuracy of communication with SDUs.

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Correcting Forms W-2 and W-3

No matter how hard you worked on your payroll year-end, you may still have to make a correction to the Form W-2 for a few of your employees. That process just got a whole lot easier!

Now you can fill out the form on your computer screen, easily correct any typing errors, print out all the copies you need, give it to your employee, and file it with the Social Security Administration. This online form is available on the Web site of the American Payroll Association at <http://www.americanpayroll.org/news/formw2c.html>, and the SSA has approved it!

Here are some points to remember:

1. Entries carry forward to all copies. The W-2c is a six-part form, but you only have to enter the data once on this fill-in form. When you print it, all six copies will print out so that you can give copies to your employee and file the others with the appropriate government agencies.
2. Each W-2c or group of Forms W-2c must be accompanied by a Form W-3c. Prior to 2003, this was not required for a W-2c that was correcting only an employee's name or social security number.
3. Correcting only state or local data? The SSA urges you not to send them any Forms W-2c that have no effect on federal information.
4. Magnetic media or electronic filing requirements:
 - If you file 250 or more Forms W-2c during a calendar year, you must file them on magnetic media or electronically unless the IRS has granted you a waiver.

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SSA/IRS

Reporter

SSA/IRS Reporter is published quarterly, Spring (March), Summer (June), Fall (Sept.), and Winter (Dec.) by the IRS Small Business/Self-Employed Communications Office.

Comments may be sent to: Portia E. Powell, Editor

Send mail to: Internal Revenue Service,
Small Business/Self Employed Communications,
316 N. Robert Street, MS:1020 STP, St. Paul, MN 55101

e-mail: SSA.IRS.REPORTER@irs.gov
Fax: 651-312-7625

Correcting Forms W-2 and W-3 continued from page 4

■ Only Forms W-2c for the immediate prior tax year are taken into account in making this determination. Also, if an employer, for example, must file 200 Forms W-2c for the immediate prior year in March and then discovers that another 100 Forms W-2c for the same year must be filed in August, only the 100 Forms W-2c that are filed in August must be filed on magnetic media or electronically.

■ An employer may request a waiver using Form 8508 (Request for Waiver From Filing Information Returns Magnetically). Form 8508 should be submitted to the IRS at least 45 days before filing Forms W-2c. See <http://www.irs.gov/pub/irs-pdf/f8508.pdf>.

5. Corrections to any wage and tax fields may require you to change your next tax deposit and attach a Form 941c, *Supporting Statement to Correct Information*, to your next Form 941. See the instructions for those two forms.

APA's strong partnership with the IRS and SSA allows it to prepare its classes and publications with the most accurate and up-to-date information to educate employers. IRS and SSA experts speak at many APA conferences and one-day seminars, including its Payroll Tax Forum. As a member of IRS' advisory committees, APA provides input toward improving the nation's wage and tax reporting process. More information about the APA is available at <http://www.americanpayroll.org>. **APA**

HELP Telephone Numbers and Web Addresses to Use When You Have Questions:**Internal Revenue Service**

Business and Specialty Tax Line
800-829-4933

Electronic Federal Tax Payment System (EFTPS) Hotline
800-555-4477 or 800-945-8400

Employee Plans Taxpayer Assistance Telephone Service
877-829-5500 (toll free)

Employer Identification Number (EIN) Request Number
800-829-4933
Monday - Friday, 7:00 a.m. to 10 p.m., local time or <http://www.irs.gov>, key word (upper right) "EIN."

Form 941 and Form 940 Filing On-Line Filing Program / Austin Submission Center

New Toll Free Number for e-Help 866-255-0654
Supports IRS *e-file*, TeleFile and future e-services customers.
Go to <http://www.irs.gov/efile/article/0,,id=118520.00.html> for specifics.

Forms (IRS)

Forms may be ordered at 800-829-3676.

General IRS Tax Law Questions and Account Information
800-829-1040

Information Reporting Program Customer Service Section
866-455-7438 (toll free)
304-263-8700 (non-toll free)
Monday - Friday, 8:30 a.m. to 4:30 p.m., ET.

Telecommunications Devices for the Deaf (TDD) may be reached non-toll free at 304-267-3367.

Taxpayers can contact this unit via e-mail at mccirp@irs.gov.

Information Reporting Program Web Page
<http://www.irs.gov/smallbiz>

IRS Tax Fax
703-368-9694 (non-toll free)
This service offers faxed topical tax information.

Keywords on IRS.gov
IRS.gov is now using keywords as another way to help makes your visit less taxing! Look for the IRS keywords in its public service, outreach, and other materials for taxpayers and tax professionals.
For a current list and more information about IRS keywords, check out <http://www.irs.gov/help/article/0,,id=108258.00.html>.

National Taxpayer Advocate's Help Line
877-777-4778 (toll free)

Social Security Tax Questions
Social Security Tax questions should be referred to the IRS at 800-829-1040.

Taxpayer Advocacy Panel
888-912-1227 (toll-free)

Telephone Device for the Deaf (TDD)
800-829-4477

Tele-Tax System
800-829-4477

Social Security Administration

Copy A / Form W-2 Reporting

Questions about wage reporting (submitting Copy A of Form W-2 to SSA) should be referred to the SSA's Employer Reporting Service at 800-772-6270 or e-mailed to employerinfo@ssa.gov.

General SSA Benefit Questions

General Social Security benefit questions should be referred to SSA's Tele Service Center at 800-772-1213.

Electronic Support Payments

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NACHA, the Electronic Payments Association, (formerly National Automated Clearinghouse Association) develops operating rules and business practices for the electronic communications of the banking community. The Federal Office of Child Support Enforcement, which provides assistance to state child support agencies, partnered with NACHA to produce a *User Guide for Electronic Child Support Payments*. The guide is available at <http://ecsp.nacha.org/>.

Some employers cite a lack of supportive payroll software as a major obstacle to converting from paper checks to e-payments. Three states, Illinois, Indiana and Massachusetts, have passed legislation mandating electronic payments. In response, several payroll software companies have enhanced their products to provide the required electronic formats for child support payments.

Many large employers remit payments by setting up the electronic credit process with their financial institution or by using a major payroll service provider who is sending payments electronically.

States Offer Web-based Payment Services to Employers

Implementing a payroll system that supports e-payments can be expensive. For smaller companies and for employers whose payroll software does not support e-payments, some states offer web-based payment services for remittance of child support payments. These web-based services are electronic *debit* alternatives to the electronic *credit* process, similar to paying for merchandise by credit card. Eight states currently offer web-based services to employers. These states are Florida, Indiana, Michigan, North Dakota, Nebraska, New Mexico, Ohio, and Washington.

More information is available at <http://www.acf.hhs.gov/programs/cse/newhire/employer/home.htm> or contact Nancy Benner at nbenner@acf.hhs.gov. **HHS**

► **Change of Address? Out of Business? Notify the IRS. Send a letter to the IRS center you sent your business returns:**

Cincinnati IRS Center, Cincinnati, OH 45999
Ogden IRS Center, Ogden, UT 84201
Outside U.S.: Philadelphia IRS Center, Philadelphia, PA 19255.

Backup Withholding "B" Notices continued from page 2

receive the first CP2100 or CP2100A, *Notice from IRS* with respect to their account for the purpose of soliciting a correct Name/ TIN combination. You must send the second "B" Notice to a payee after you receive a second CP2100 or CP2100A, *Notice from IRS* within a 3 calendar year period. The mailing of the second notice should not include a Form W-9. The payee must certify the name/TIN combination after receiving the second "B" Notice. Generally, you do not have to send a "B" Notice more than two times within three calendar years for the same account.

Remember: You do not have to call or write to the IRS to say that you made the correction or update to your records.

Q. How is a Name/TIN mismatch identified?

A. A name/TIN combination is incorrect if it doesn't match or can't be found in IRS or SSA files. A name/TIN mismatch happens when an individual's name is submitted with a TIN that is not associated with the name provided. Please note your TIN is not interchangeable with different names. An Employer Identification Number (EIN) must be used for a partnership, corporation, or non-disregarded Limited Liability Company (LLC). A Social Security Number (SSN) must be used with an individual's name. Also, you must always provide the individual's name for a sole proprietorship, even if the sole proprietor uses a "doing business as" (DBA) name.

Q. What should I do if a TIN was actually on file but it was left off the Form 1099 or reported incorrectly?

A. Make any required change to your records and use the correct information on future filings. Do not send a "B" Notice to the payee.

See General Instructions for Forms 1099, 1098, 5498, W-2G for how to correct an information return.

Q. What should I do if this is the first notification and the Form W-9 is returned with the same incorrect information?

A. Keep the Form W-9 on file to show that the payee certified the Name/TIN combination. Do not backup withhold.

Q. If I don't do business anymore with a payee, or if it was only a one-time transaction, what should I do with the "B" Notice?

A. Send it to try to get the correct TIN and keep a record of the notice. If you don't receive the TIN, you will have to backup withhold if you do business again with the payee. You must also track the notices for the "two in three year rule." The IRS requires that you track these accounts for three years after the date of the first CP2100A or CP2100 Notice.

Q. Can a sole proprietor have an SSN or do they need an EIN?

A. A sole proprietor may have an SSN or an EIN. However, they must always furnish their individual name on the first name line regardless of whether they use an SSN or EIN. A sole proprietor may also provide a business name or "doing business as" (DBA) on the second name line, but they must list their individual name first on the account with you.

Publication 1281, *Backup Withholding on Missing and Incorrect Name/TINs* contains additional valuable information on this subject. You can obtain this publication from the IRS Web site at <http://www.irs.gov>.

Tips for Obtaining "Good" TINs

- Always obtain the contractor's TIN before paying for services.
- Avoid abbreviating company names. If possible, refer to and use the same name as it appeared on the original application for an EIN (Form SS-4) or social security card.
- If you know a company has changed its name, ask if they have informed IRS of the change. IRS and SSA must be informed of any name changes.
- When filing Form 1099-MISC for a sole proprietor, always put the individual's name first, followed by the business name. For example, Joe's Garage should be reported as Joseph Johnson, dba (doing business as) Joe's Garage. It does not matter whether you are using an EIN or SSN, the individual's name *must* appear first.
- The best tool to help you gather good information on contractors and vendors is Form W-9 (or a substantially similar version). It is a good resource for obtaining correct payee names/ TINs and certifying exempt status for reporting purposes. In addition, the form specifically addresses the issue of sole proprietors. When properly completed, you will know if a contractor is a sole proprietor and therefore you will know to use the individual name first.

If you have any questions about backup withholding, information reporting, Forms 1099, or the CP2100 or CP2100A Notice(s) and listing(s), you may call:

Martinsburg Computing Center (MCC)
Information Reporting Program Customer
Service Section

Telephone: 866-455-7438 (toll free)
or 304-263-8700 (not toll free)

Hours: 8:30 a.m. to 4:30 p.m.
Monday through Friday, ET

E-Mail: mccirp@irs.gov 

Social Security Administration

Internal Revenue Service

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Reporter

Summer 2004

A Newsletter
for Employers

IRS Warns Businesses, Individuals to Watch for Questionable Employment Tax Practices

The Internal Revenue Service issued a consumer alert for eight schemes where federal employment taxes are not properly withheld or paid by employers from their employees' paychecks. The IRS alert to business owners and other taxpayers follows a string of recent convictions and court rulings involving employment tax schemes.

"Failure to pay employment taxes is stealing from the employees of the business," said IRS Commissioner Mark W. Everson. "The IRS pursues business owners who don't follow the law, and those who embrace these schemes face civil or criminal sanctions."

Employment taxes consist of federal income tax withholding along with Social Security and Medicare taxes and unemployment taxes. Also, many states have withholding requirements for various employment related taxes, such as contributions to a worker's compensation fund. Improper reporting or payment of employment taxes affects the ease with which employees can claim future benefits from these programs.

During the past three years, one hundred seventeen individuals have been sentenced to confinement in a federal prison, a halfway house or home detention for criminal violations related to employment taxes. Approximately seventy-seven percent of the persons sentenced for evading employment taxes served an average of seventeen months confinement and were ordered to make restitution to the government for the taxes evaded, plus interest and penalties.

Recent examples of employment tax prosecutions can be found at *IRS.gov* by typing "employment fraud" in the search box and clicking on "Significant Employment Tax Case Summaries."

1. Pyramiding. "Pyramiding" of employment taxes is a fraudulent practice where a business withholds taxes from its employees but intentionally fails to remit them to the IRS.

Online Services Can Help Even after the Filing Season Ends

Even though the filing season is over, you can still get valuable help from Social Security's Business Services Online. For instance, you can:

- Check the status of your submission(s),
- View and acknowledge a notice asking you to resubmit your data, and
- Browse information about errors found in your submission.

Who Can Use The Service?

This service is available to all submitters whose W-2 Report is formatted according to Social Security's Magnetic Media and Electronic Filing (MMREF) specifications. If you filed using magnetic media or electronic data transmission, please allow one to six weeks for your submission information to be available. Submission information is not available for paper submissions.

What You Need

All you need is a PIN and password. If you don't have a PIN and password, you can register for one at <http://www.socialsecurity.gov/bsa/bsowelcome.htm>. More than one person in a company can have a PIN and password. If you use a

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What Corporate Form Do I File?

Most Common Corporate Returns

"C" Corporations All domestic corporations (including corporations in bankruptcy) must file income tax returns whether or not they have taxable income, unless the corporation is exempt under section 501. Section 501 exempts nonprofit groups organized for charitable or mutual benefit purposes from income tax. Domestic corporations must file Form 1120, *U.S. Corporation Income Tax Return* or, if they qualify, Form 1120-A, *U.S. Corporation Short-Form Income Tax Return*, unless they are required to file a special return (see Special Returns for Certain Organizations below).

"S" Corporation Generally, an S corporation does not pay income tax; rather its income, deductions and credits are passed through to its shareholders. A corporation must file Form 1120S, *U.S. Income Tax Return* for an S Corporation if (a) it elected to be an S corporation by filing Form 2553, (b) the IRS accepted the election, and (c) the election remains in effect. Do not file Form 1120S, Election by a Small Business Corporation for any tax year before the year the election takes effect.

Limited Liability Companies Unless a multiple member LLC elects otherwise, if an entity was formed as a limited liability company (LLC) under state law, it is treated as a partnership for Federal income tax purposes and files Form 1065, *U.S. Return of Partnership Income*. The multiple member LLC can file a Form 1120 or 1120-A only if it has filed Form 8832, *Entity Classification Election*, to elect to be treated as an association taxable as a corporation.

Unless a single member LLC elects otherwise, if the member is an individual, the LLC income and expenses are reported on Form 1040, Schedule C, Schedule E, or Schedule F. If the only member of the LLC is a corporation, the LLC income and expenses are reported on the corporation's return, usually 1120, *U.S. Corporation Income Tax Return* or 1120S, *U.S. Income Tax Return for an S Corporation*. The

single member LLC would file using a Form 1120 or 1120S (where a proper S election has been made by the LLC) only if it has filed Form 8832, *Entity Classification Election*, to elect to be treated as an association taxable as a corporation.

Pub. 3402, *Tax Issues for Limited Liability Companies* has more information about LLCs.

Other Corporate Returns

Farming (other than section 1381 cooperatives) Any corporation that engages in farming should use Form 1120 or, if they qualify, Form 1120-A to report the income (loss) from such activities. Enter the deductions of the corporation in accordance with the Instructions for Forms 1120 and 1120A for lines 1 through 10 and 12 through 29.

Foreign Corporation Unless one of the exceptions under Exceptions from Filing applies or a special return is required a foreign corporation must file Form 1120-F if, during the tax year, the corporation meets certain criteria (see Instructions for Form 1120F for more information).

Foreign Sales Corporation File Form 1120-FSC if the corporation elected to be treated as a FSC and the election is still in effect. See Instructions for Form 1120-FSC for additional information.

Homeowners Associations A homeowners association may elect to take advantage of the certain tax benefits provided by section 528 of the Internal Revenue Code. See Form 1120-H for further information on the tax benefits available under the election and for the requirements of the election.

Life Insurance Company Every domestic life insurance company and every foreign corporation that would qualify as a life insurance company if it were a U.S. corporation must file Form 1120-L. This includes organizations described in section 501(m) (1) that provide commercial-type life insurance. See Instructions for Form 1120-L for additional information.

Political Organizations A political organization, whether or not it is tax-exempt, must file Form 1120-POL if it has any political organization taxable income. An exempt organization that is not a political organization must file Form 1120-POL if it is treated as having political organization taxable income under section 527(f)(1). See the instructions attached to Form 1120-POL for more information.

Property and Casualty Insurance Company Income Tax Return Every domestic non-life insurance company and every foreign company that would qualify as a non-life insurance company subject to taxation under section 831 must file Form 1120-PC. This includes organizations described in section 501(m)(1) that provide commercial-type insurance and organizations described in section 833. See Instructions for Form 1120-PC for specific exemptions.

Real Estate Investment Trusts (REIT) A corporation, trust, or association that meets certain conditions must file Form 1120-REIT if it elects to be treated as REIT for the tax year (or has made that election for a prior tax year and the election has not been terminated or revoked). The election is made by figuring taxable income as a REIT on Form 1120-REIT. More information is available in the Instructions for Form 1120-REIT.

Regulated Investment Companies (RIC) A domestic corporation that elects to be treated as a RIC for the tax year (or has made an election for a prior tax year) and meets certain requirements must file Form 1120-RIC. Information on the election, filing requirement, and computation of taxable income is on Form 1120-RIC and Instructions for Form 1120-RIC.

Settlement Funds (Under Section 468B) All section 468B designated and qualified settlement funds must file an annual tax return. See Form 1120-SF and the Instructions for more information.

continued on page 3

Forms, continued from page 2

Short-Form Form 1120-A, *U.S. Corporation Short-Form Income Tax Return* may be filed by a corporation if it met all of the requirements identified as qualifying to do so. These criteria can be found in the Instructions for Form 1120/1120-A.

Special Returns for Certain Organizations

Instead of filing Form 1120 or Form 1120-A, certain organizations have to file special returns:

If the organization is a:	File Form	Instructions
Entity that elects to be treated as a real estate mortgage Conduit REMIC under section 860D	1066	1066 Inst
Exempt organization with unrelated trade or business income	990-T	990-T Inst
Farmers Cooperative (Section 1381)	990-C	990-C Inst
Fund set up for Nuclear Decommissioning costs	1120-ND	1120-ND Inst
Religious or apostolic organization exempt under section 501(d)	1065	1065 Inst

Amended Returns Use Form 1120X, *Amended U.S. Corporation Income Tax Return* to:

- Correct a previously filed Form 1120 or 1120-A or
- Make certain elections after the prescribed deadline (see Regulations section 301.9100-1 through 3)
- Correct the return as originally filed, or as later adjusted by an amended return, a claim for refund, or an examination.

Forms and instructions can be obtained online at www.irs.gov or call 800-829-3676. For assistance to determine which forms you are required to file, call the Business Specialty Tax Line at 800-829-4933. 

Change of Address? Out of Business?

Notify the IRS. Send a letter to the IRS center you sent your business returns. Please include your employer Identification Number (EIN).

Cincinnati IRS Center, Cincinnati, OH 45999

Ogden IRS Center, Ogden, UT 84201

Outside U.S.: Philadelphia IRS Center, Philadelphia, PA 19255.

IRS Offers Penalty Refund for Using EFTPS



The Internal Revenue Service (IRS) has announced nationwide

implementation of the EFTPS-FTD (Electronic Federal Tax Payment System-Federal Tax Deposit) Penalty Refund Program. This offer allows paper coupon users who were assessed a Form 941 (Employer's Quarterly Federal Tax Return) deposit penalty beginning in 2003 the opportunity to receive a one-time penalty refund.

To qualify, the employer must:

- Pay the penalty in full
- Enroll in and use EFTPS for one year (four consecutive quarters)
- Make all Form 941 payments on time through EFTPS

Beginning in 2005, the IRS will automatically determine which employers have achieved the four quarters of EFTPS compliance and reverse the most

recent full-paid FTD penalty minus any outstanding taxes. No other action by the employer is necessary.

The IRS will look back up to four quarters prior to the four-quarter compliance period for a full paid FTD penalty to abate. For example, if an employer enrolls in and uses EFTPS for all four quarters in 2004, the IRS will look back as far as the quarter beginning January 1, 2003, for a full paid FTD penalty. Penalties paid earlier than one year prior to the four-quarter compliance period are not eligible for the automatic offer.

If you have any questions about the Penalty Refund Program and EFTPS, please call EFTPS Customer Service at 800-555-4477. You may also visit <http://www.irs.gov> or <http://www.eftps.gov>. Online enrollment is available at <http://www.eftps.gov>, or complete Form 9779, *EFTPS Business Enrollment Form*, which is available by calling EFTPS Customer Service. 

HELP Telephone Numbers and Web Addresses to Use When You Have Questions:

Internal Revenue Service

Business and Specialty Tax Line
800-829-4933

Electronic Federal Tax Payment System (EFTPS) Hotline
800-555-4477 or 800-945-8400

Employee Plans Taxpayer Assistance Telephone Service
877-829-5500 (toll free)

Employer Identification Number (EIN) Request Number
800-829-4933

Monday - Friday, 7:00 a.m. to 10 p.m., local time or <http://www.irs.gov>, key word (upper right) "EIN."

Form 941 and Form 940 Filing On-Line Filing Program / Austin Submission Center

New Toll Free Number for e-Help 866-255-0654 Supports IRS e-file, TeleFile and future e-services customers. Go to <http://www.irs.gov/efile/article/0,,id=118520.00.html> for specifics.

Forms (IRS)
Forms may be ordered at 800-829-3676.

General IRS Tax Law Questions and Account Information
800-829-1040

Information Reporting Program Customer Service Section
866-455-7438 (toll free)
304-263-8700 (non-toll free)
Monday - Friday, 8:30 a.m. to 4:30 p.m., ET.

Telecommunications Devices for the Deaf (TDD) may be reached non-toll free at 304-267-3367.

Taxpayers can contact this unit via e-mail at mccirp@irs.gov.

Information Reporting Program Web Page
<http://www.irs.gov/smallbiz>

IRS Tax Fax
703-368-9694 (non-toll free)
This service offers faxed topical tax information.

Keywords on IRS.gov
IRS.gov is now using keywords as another way to help make your visit less taxing! Look for the IRS keywords in its public service, outreach, and other materials for taxpayers and tax professionals. For a current list and more information about IRS keywords, check out <http://www.irs.gov/help/article/0,,id=108258,00.html>.

National Taxpayer Advocate's Help Line
877-777-4778 (toll free)

Social Security Tax Questions
Social Security Tax questions should be referred to the IRS at 800-829-1040.

Taxpayer Advocacy Panel
888-912-1227 (toll-free)

Telephone Device for the Deaf (TDD)
800-829-4059

Tele-Tax System
800-829-4477

Social Security Administration

Copy A / Form W-2 Reporting
Questions about wage reporting (submitting Copy A of Form W-2 to SSA) should be referred to the SSA's Employer Reporting Service at 800-772-6270 or e-mailed to employerinfo@ssa.gov.

General SSA Benefit Questions
General Social Security benefit questions should be referred to SSA's Tele Service Center at 800-772-1213.

Questionable Employment Tax Practices continued from page 1

2. Unreliable Third Party Payers. There are two primary categories of third party payers – Payroll Service Providers and Professional Employer Organizations. Payroll Service Providers typically perform services for employers such as filing employment tax returns and making employment tax payments. Professional Employer Organizations offer employee leasing meaning that they handle administrative, personnel, and payroll accounting functions for employees who have been leased to other companies that use their services.

3. Frivolous Arguments. Unscrupulous individuals and promoters have used a variety of false or misleading arguments for not paying employment taxes. These schemes are based on an incorrect interpretation of "Section 861" and other parts of the tax law and have been refuted in court.

4. Offshore Employee Leasing. This scheme, which was designated as a Listed Transaction by the Service in 2003, misuses the otherwise legal business practice of employee leasing. Under the typical promotion, an individual taxpayer supposedly resigns from his or her current employer or professional corporation and signs an employment contract with an offshore employee leasing company. Because it is a Listed Transaction, those who use the scheme are required to disclose their participation on current tax returns, and will be liable for the unpaid tax and subject to penalties and interest.

5. Misclassifying worker status. Sometimes employers incorrectly treat employees as independent contractors to avoid paying employment taxes. Generally if the payer has the right to control what work will be done and how it will be done, the worker is an employee.

6. Paying Employees in Cash. Paying employees in whole or partially in cash is a common method of evading income and employment taxes.

7. Filing False Payroll Tax Returns or Failing to File Payroll Tax Returns. Preparing false payroll tax returns intentionally understating the amount of wages on which taxes are owed or failing to file employment tax returns are methods commonly used to evade employment taxes.

8. S Corporation Officers Compensation Treated as Corporate Distributions. In an effort to avoid employment taxes, some S Corporations are improperly treating officer compensation as a corporate distribution instead of wages or salary. By law, officers are employees of the corporation for employment tax purposes and compensation they receive for their services is subject to employment taxes.

The IRS encourages employees to report any concerns that an employer is failing to properly withhold and pay federal income and employment taxes. Taxpayers can contact the IRS at 800-829-1040 or report suspected tax fraud by calling 800-829-0433.

Employers must report employment taxes withheld from their employees on Form 941, *Employer's Quarterly Federal Tax Return*. Employers are also responsible for filing Form 940, *Employer's Annual Federal Unemployment Tax Return*. Payment of employment taxes must be made to an authorized bank or financial institution according to federal tax deposit requirements. Employers may also pay these taxes electronically. Information on how to file or pay employment taxes electronically is found at <http://www.irs.gov/efile> and <http://www.eftps.gov>. 

Online Services Can Help After the Filing Season continued from page 1

third-party preparer, you can still access the services above by using your PIN, password, and the EIN used to file your wage report.

How?

From the Business Services Online website, <http://www.socialsecurity.gov/bsa/bsowelcome.htm>, you can access a variety of Wage Reporting Services such as:

- View Submission Status/Errors/Notice Information
- View Employer Report Status/Errors/Notice Information
- Acknowledge Resubmission Notice
- Request Resubmission Extension 

Online W-2c, W-3c at APA Web Site

There has been a great response to the convenient, online, fill-in-and-print Form W-2c (and Form W-3c) available from the American Payroll Association's Web site. Some people, however, have been having difficulty in finding it and have been calling APA and/or the Social Security Administration. Here is the exact Web address: <http://www.americanpayroll.org/news/formw2c.html>.

This electronic form is a boon to payroll professionals everywhere, as it makes the process of preparing corrections so much easier. Instead of ordering the form and preparing it in a typewriter, just fill out the form on your computer screen, easily correct any typing errors, print out all the copies you need, give it to your employee, and file it with the Social Security Administration and any other tax agencies.

The above Web page also provides tips on preparing Forms W-2c and W-3c, information on the thresholds for magnetic or electronic filing, and links to instructions for completing these forms.

APA's strong partnership with the IRS and SSA allows it to prepare its classes and publications with the most accurate and up-to-date information to educate employers. IRS and SSA experts speak at many APA conferences and one-day seminars, such as its Payroll Tax Forum and Preparing for Year-End and 2005. As a member of IRS' advisory committees, APA provides input toward improving the nation's wage and tax reporting process. More information about the APA is available at <http://www.americanpayroll.org>. 

IRS Launches Express Enrollment in EFTPS

The Internal Revenue Service has launched a new program for new business taxpayers designed to boost electronic payment of taxes. This development offers some taxpayers new, quicker access to an electronic payment system. This initiative will be available using the Electronic Federal Tax Payment System (EFTPS), a service offered free by two bureaus of the U.S. Department of the Treasury, IRS and the Financial Management Service (FMS). In fiscal year 2003, Treasury collected more than \$1.5 trillion in electronic tax payments through EFTPS, and the launch of this new initiative will help increase growth in those numbers in tax year 2004. EFTPS enables taxpayers and tax professionals to make federal tax payments electronically online, by phone, or with batch provider software for professionals.

EFTPS Express Enrollment for New Businesses will affect all businesses receiving a new Employer Identification Number (EIN). Business taxpayers with a federal tax obligation will be automatically pre-enrolled in EFTPS to make all their Federal Tax Deposits.

In addition to receiving their EIN, taxpayers will also receive a separate mailing containing an EFTPS Personal Identification Number (PIN) and instructions for activating their enrollment. New business taxpayers will activate their enrollment by calling an 800-number, entering their banking information and completing an authorization for EFTPS to transfer funds from their account to Treasury's account for tax payments per their instructions.

"There are approximately 250,000 new EINs issued every year. With EFTPS Express Enrollment, we are making it even easier for business taxpayers to make their business payments electronically," said IRS Commissioner Mark W. Everson.

"Paying taxes using EFTPS means 19 times greater accuracy," said Dick Gregg, FMS Commissioner. "Greater accuracy means fewer penalties. I encourage individuals and businesses to enroll today."

Taxpayers can enroll in EFTPS by visiting the EFTPS-Online Web site at <http://www.eftps.gov> or by calling EFTPS Customer Service at 800-555-4477 or 800-945-8400 to receive an enrollment form by mail. 

Taxpayer Advocate Service Lends Support to Small Business Owners

Small businesses with unresolved federal tax problems may be eligible for free assistance from the Taxpayer Advocate Service (TAS), an independent branch within the Internal Revenue Service that represents the interests of taxpayers.

Payroll taxes issues are among the most common tax problems faced by small businesses, and can be especially challenging because of the potential for stiff penalties. TAS recognizes the hardship that tax problems impose on a small business, and small business owners with unresolved payroll and other tax issues should not wait too long before seeking help.

If normal IRS channels have not led to resolution, Taxpayer Advocate Service (TAS) may be the answer. TAS advocates can help you navigate the system, identify issues you can resolve for clients directly, and reach closure on unresolved tax issues. TAS will assign knowledgeable advocates to help qualified small businesses navigate the federal tax system, understand what is causing their unresolved tax problems, and reach closure with the IRS. TAS works to solve both specific and system-wide tax problems.

Both individual and small business clients may be eligible for free TAS assistance. Taxpayers may be eligible for assistance from TAS if they have tried other channels to resolve their issues and still face:

- economic hardships or significant cost due to their tax problem,
- a 30-day delay to resolve the issue, or
- a response or resolution deadline that was promised by the IRS but not met.

TAS is launching a media campaign to inform preparers, taxpayers and small business owners about TAS services. To request the assistance of the Taxpayer Advocate Service, call toll free 877-ASK-TAS-1. TAS is located on the Web at <http://www.irs.gov/advocate>. 

Businesses' Views on the ADA

As early as this summer the Department of Justice will be seeking businesses' views on updating the accessibility requirements of the Americans with Disabilities Act. Businesses wishing to comment should look for an Advanced Notice of Proposed Rulemaking that will be posted on the ADA Business Connection website. This site is now available in Spanish as well as English.

The tax incentives that assist businesses in complying with the ADA are still available. Small businesses may use a credit of up to \$5,000 a year to offset costs of altering facilities, using interpreters, or taking other steps to improve accessibility for customers or employees with disabilities. All businesses, whatever their size, can take a deduction of up to \$15,000 each year for the cost of removing barriers in facilities or vehicles.

Learn about the ADA, these tax incentives, and the upcoming proposal for changing accessibility requirements at the ADA Business Connection web site at <http://www.ada.gov/business.htm>, or contact the ADA Information Line at: 800-514-0301 (voice), 800-514-0383 (TTY). 

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600 17th Street, MS:6400 DEN
Denver, CO 80202-2490

e-mail: SSA.IRS.REPORTER@irs.gov
Fax: 303-446-1764

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IRS Nationwide Tax Forums Scheduled for Tax Professionals

The IRS Nationwide Tax Forums offer the latest word for tax professionals from the IRS on tax law, compliance and tax practice and procedure. The tax professional community is offered a one-stop shop with opportunities to attend seminar presentations and workshops, as well as focus groups with subjects from ethics and professional conduct to how to enroll and participant in *e-file* and the new e-services. Participants consult with software vendors and tax service providers and have the opportunity to learn about benefits of professional organizations such as the American Institute of Certified Public Accountants (AICPA), National Association for Enrolled Agents (NAEA), National Association of Tax Professionals (NATP), National Society of Tax Professionals (NSTP), and National Society of Accountants (NSA).

If you are a tax professional or involved with the day to day-to-day tax administration for your company, you are invited to attend. If you use a tax professional please recommend they attend.

This year for the first time! Registration for the 2004 IRS Nationwide Tax Forums will be online! Be sure to check <http://www.irs.gov/taxpros/article/0,,id=97192,00.html> for the seminar topics and workshop information, as well as the link that will take you to the online registration process! 

Locations for the 2004 Forums include:

July 6-8, 2004 Atlantic City, NJ	Sheraton Atlantic City	Two Miss America Way	Atlantic City, NJ 08401	888-627-7212	Room Rate: \$149.00
July 20-22, 2004 Orlando, FL	The Peabody Orlando	9801 International Dr.	Orlando, FL 32819	800-732-2639	Room Rate: \$95.00
August 3-5, 2004 Minneapolis, MN	Hyatt Regency Minneapolis	1300 Nicollet Mall	Minneapolis, MN 55403	800-233-1234	Room Rate: \$110.00
August 17-19, 2004 New Orleans, LA	New Orleans Marriott	555 Canal Street	New Orleans, LA 70130	888-364-1200	Room Rate: \$93.00
Aug. 31-Sept. 2, 2004 San Antonio, TX	Marriott Rivercenter	101 Bowie at Commerce St.	San Antonio, TX 78205	800-648-4462	Room Rate: \$91.00
Sept. 14-16, 2004 Las Vegas, NV	Rio All Suites Hotel	3700 W. Flamingo	Las Vegas, NV 89103	888-746-7482	Room Rate: \$110.00

AccuWage for Tax Year 2004

Free software to test the accuracy of your 2004 Magnetic Media Reporting and Electronic Filing (MMREF) formatted reports will be available on August 9, 2004. The AccuWage software tests your MMREF-1 files by checking for over 200 different errors before you send the report to SSA for processing. AccuW2C 2004 can be downloaded beginning in October 2004. AccuW2C allows you to check your MMREF-2, correction reports.

AccuWage is easy to use. Just go to <http://www.socialsecurity.gov/employer> and select Wage Reporting Software. Download and install the AccuWage software on your personal computer. Then type in the directory where you saved the W2REPORT file. AccuWage will read the file and inform you of any detected errors.

You may continue to download AccuWage onto a personal computer with a Windows 95 operating system, but support for AccuWage running on the Windows 95 operating system is no longer provided. AccuWage continues to be supported under Windows NT/98/ME/2000/XP operating systems. 

Modernized e-File Launched February 23, 2004

IRS has been reporting for some time that the Modernized e-File (MeF) Program was coming soon. Well the time has arrived and they are pleased to announce that on February 23, 2004, corporate and tax exempt organization returns were enabled for electronic filing on a new platform using a new architecture. For the first time, MeF filers have the option of filing these returns over a secure Internet connection. MeF is being implemented in phases. Release 1 allows the filing of 53 forms and schedules for the Corporate Forms 1120/1120S returns, and includes for tax exempt organizations Forms 990, 990EZ, 1120 POL, and the extension Form 8868. Release 2 is slated for delivery in July 2004 that will add the additional 43 forms and schedules needed by large corporations. A Fed/State Program is scheduled for January 2006.

MeF partnered with tax practitioners on the design and development of the system. Software Developers provided IRS with valuable input on the development of the Extensible Markup Language (XML) schemas and Simple Object Access Protocol (SOAP) packaging, the data and transmission formats used, among other issues such as consolidated returns, attachments to returns, signature options and the redesign of the error reject codes to name a few. This effort paid off as MeF has received over 20,000 returns as of the end of March.

Additional information on the program can be found on the [irs.gov](http://www.irs.gov/efile/article/0,,id=103797,00.html) web site at <http://www.irs.gov/efile/article/0,,id=103797,00.html>.

If you would like more information on Corporate 1120/1120S e-file, contact the project by e-mail at 1120@irs.gov. For additional information on e-filing for tax exempt organizations, e-mails should be directed to tege-ee-efile@irs.gov. 

The 2004 Small Business Resource Guide CD

The 2004 Small Business Resource Guide CD-ROM has a new look and enhanced navigation features to assist with your search efforts. This handy, interactive CD contains all the business tax forms, instructions and publications to successfully manage a business. In addition, the CD provides a wide variety of web links to various government agencies, business associations and IRS organizations. To order your copy, visit the SB/SE website at: <http://www.irs.gov/businesses/small/article/0,,id=101169,00.html> or call the IRS toll-free number at 800-829-3676. 

Social Security Administration

Internal Revenue Service

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Department of the Treasury
Internal Revenue Service

www.irs.gov

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Reporter

Fall 2004

A Newsletter
for Employers

Hiring a New Employee— Get the Paperwork Done Right the First Time Around!

It's exciting to have a new employee join your business to take on some of the tasks you've been wanting to delegate. But don't forget to take care of the paperwork, or it could come back to haunt you later.

Work Eligibility

Verify that the employee is legally eligible to work in the United States. The employee and employer must each complete their parts of Form I-9, *Employment Eligibility Verification*, and the employee must show original documents that prove identity and work authorization. Form I-9 and some updates to the list of acceptable documents are available at <http://uscis.gov/graphics/formsfee/forms/i-9.htm>.

Withholding Allowance Certificates

This is the employee's entry into the U.S. tax system! The employee should complete a federal Form W-4, *Employee's Withholding Allowance Certificate*, and any applicable state or local withholding form so that you know how much income tax to withhold. Form W-4 is at <http://www.irs.gov/pub/irs-pdf/fw4.pdf>. If the employee does not complete a Form W-4, withhold federal income tax based on a marital status of "single" and zero withholding allowances.

You may ask the employee to show you his or her Social Security card (and you may photocopy it) so that you can verify that the name and Social Security number (SSN) that you enter in your payroll records and eventually provide in federal and state payroll reporting (such as Form W-2) are correct. Accuracy ensures that the employee can get all the benefits to which he or she is entitled, such as unemployment insurance and eventual federal retirement payments, and it ensures that you won't receive notices of errors and potential penalties.

continued on page 4

State and Local Coverage Handbook Makes its Online Debut

If you have access to the Internet, you now have access to the *State and Local Coverage Handbook*.

This is good news for employers who handle legal and personnel matters that involve state and local government coverage under Section 218 of the Social Security Act.

Here's how to access the *State and Local Coverage Handbook* online:

1. Go to the State and Local Government Employers homepage (<http://www.socialsecurity.gov/slge>).
2. Select "Publications" in the left column.
3. Scroll down and select "State and Local Coverage Handbook."

Select the blue arrow above the appropriate subchapter to reveal the list of the sections in that subchapter. Select a section title to go to the text. Also, each chapter has an Adobe Acrobat pdf file so an entire subchapter can be downloaded and printed. **SSA**

Employers Advised to Follow Proper Withholding and Filing Requirements of Employment Tax Regulations

The Internal Revenue Service and the Treasury Department have been aware that certain persons are promoting the view that U.S. citizens and residents are not subject to tax on their U.S. wages and other income. It is based on the claim that the Internal Revenue Code imposes taxes only on income derived from certain foreign-based activities. Some employers have taken that position and further interpreted it to mean that they are not required to withhold employment taxes from their employees, are not required to pay employment taxes over to the IRS, and are not required to file 941 tax returns. The tax scheme is known as the IRC 861 Employment Tax Scheme. The name was taken from the Internal Revenue Code section promoters have been misinterpreting. The Service and Treasury have issued a notice to inform taxpayers that this reporting position has no basis in law (Notice 2001-40). (<http://www.irs.gov/pub/irs-irbs/irb01-26.pdf>)

The promoters of this position have misread the Code and the Treasury Regulations. The courts have rejected arguments that U.S. citizens are not required to pay Federal

income tax on their income from all sources and have sustained criminal convictions of individuals who based their refusal to pay federal income tax on such arguments.

IRS and Treasury advise taxpayers if they file returns reflecting the theory that only certain foreign-source income is taxable, they may be subject to severe penalties. Under some circumstances, taxpayers adopting this position on tax returns may be subject to consequences, including failure to file or pay penalties, civil fraud penalties, and may be prosecuted for criminal violations of the tax law. In addition, practitioners advocating this position are subject to the return preparer penalty or aiding and abetting penalties, and may be prosecuted for criminal violations of the tax law.

"Tax scam promoters cheat not only their customers and the federal treasury, but also all law abiding taxpayers. Some tax scams even teach people how to harass their employers and obstruct the administration of the tax system," said Eileen J. O'Connor, Assistant Attorney General for the Justice Department's Tax Division. "The Department of Justice, along with the IRS and its counsel

attorneys, are working methodically to shut down tax fraud scams of all varieties."

At least nine promoters advocating this position to any employer that will listen have been issued court orders preventing them from selling this tax scheme. One employer in Texas, who had over 100 employees at one time, was convicted of various tax violations related to his unfounded employment tax scheme position. This included making false claims against the U.S., willful failure to collect, and failure to file individual tax returns. In April of this year, he was sentenced to 7 years in prison and ordered to pay over \$300,000 in restitution.

Employers and taxpayers can obtain tax forms, including those necessary to amend previously-filed returns, at the IRS Web site, www.irs.gov, obtain them through the IRS' TaxFax Services [from a fax machine call: 703-368-9694 (not a toll-free number)], or order the forms by phone by calling 800-TAX-FORM (800-829-3676). New businesses with employees may also contact the IRS at 800-829-4933 to learn more about their withholding and tax filing and paying responsibilities. **IRS**

W-2 Online: An Electronic Filing Option for Small Businesses

Own a Business? Drowning in Paper? Stop Filing Paper W-2s!

An electronic filing option is now available for small businesses. It's an Internet service that allows you to prepare and submit up to 20 Forms W-2 at a time.

Here are some of the benefits of this option:

- More time to spend on your business—electronic filers have until March 31 to file—a full month later than other filers;
- Freedom from paper, forms, typewriters;
- An electronic receipt you can use as proof that you filed on time;
- A system-generated W-3 for you;
- W-2s for your employees and your records; and
- Tracking of your W-2 report as it is processed.

All you need is a—

- Personal computer with access to the Internet and a printer;
- Copy of Adobe Acrobat loaded on your personal computer (see our website); and
- Web browser set to accept our "cookie" and capable of "128-bit encryption" (explained on our website, too).

If someone else files your wage report and he or she has this equipment, he or she can file online for you.

Follow four simple steps to file—

1. Go to www.socialsecurity.gov/employer and select "Business Services Online."

2. Select "Registration" and follow the instructions to get a Personal Identification Number (PIN) and password.
3. Select "Login" and give us your PIN and password.
4. Create W-2s under the heading "W-2 Online" on the next screen.

NOTE: Business Services Online is available from the first week of January through the last day of March.

Want to know more?

Get more information about filing W-2s online in the *Business Services Online Handbook*. Go to www.socialsecurity.gov/employer and select "E-Filing Handbook," or call us toll-free at 800-772-6270. For technical support, such as connection and transmission questions, call 888-772-2970. **SSA**

TEST YOUR

KNOWLEDGE

Barry assumed the responsibility for payroll taxes at the end of March for Fir Company, a Monthly Schedule Depositor. Fir pays wages each Friday and had Form 941 (*Employer's Quarterly Federal Tax Return*) employment taxes of \$2,450 for the quarter ending March 31. No federal tax deposits had been made. Fir also had undeposited unemployment taxes of \$80 for the quarter.

Question: Will Barry need to make an employment tax deposit? If so, by what date? (See "Spotlight on Deposits—Form 941", right, for answer.)

Social Security Wants Your Feedback

Social Security is working to improve the usefulness of future versions of the W-2/W-3 wage reporting web site (<http://www.socialsecurity.gov/bsowelcome.htm>). We need to contact people who currently use, or want to use, these applications for their annual W-2/W-3 filing. Your feedback and input are crucial to our improvement efforts.

Please contact us at Usability@ssa.gov if you are willing to participate in any of these activities:

- Talk with us by phone about your experience. We will schedule a call with you. (approx. time: 45 min.)
- Review new screens. We typically schedule 1 hour meetings via phone, possibly with internet access; you will not need to come to our facilities. (approx. time: 1 hr)
- Send us comments. We welcome your comments and situations you may have encountered when submitting W-2/W-3 wage reports.

Email us at: Usability@ssa.gov and please include the words "Reporter Newsletter" in the subject line. **SSA**

Spotlight on Deposits

Form 941—Employer's Quarterly Federal Tax Return

Answer: Barry is not required to make a deposit since the quarterly employment taxes, reduced by any advance earned income credit (EIC), are less than \$2,500. These taxes can be paid with the timely filed return in this situation. However, Fir may want to deposit in accordance with its applicable monthly schedule depositor rules if it is not sure that the exception for amounts below \$2,500 will be met for the quarter. Unemployment taxes are not considered for the \$2,500 threshold.

When paying the quarterly employment taxes in this situation, Fir may choose to:

- Deposit using the Electronic Federal Tax Payment System (EFTPS). If qualifying for the EFTPS penalty refund offer, Fir will need to make an EFTPS deposit

instead of paying with the return (see Publication 4048, *Special IRS Penalty Refund Offer*, for details).

- Deposit at an authorized financial institution with Form 8109 (*Federal Tax Deposit Coupon*), or
- mail the \$2,450 payment with the return.

Resources for Additional Information

- Chapter 11, Publication 15, Circular E, *Employer's Tax Guide* (<http://www.irs.gov/pub/irs-pdf/p15.pdf>).
- Deposit Date Reminders, (<http://www.irs.gov/businesses/small/article/0,,id=104684,00.html>).
- Publication 4048, *Special IRS Penalty Refund Offer* (<http://www.irs.gov/pub/irs-pdf/p4048.pdf>)
- Federal Tax Deposits (<http://www.irs.gov/businesses/small/article/0,,id=99929,00.html>). **IRS**

HELP Telephone Numbers and Web Addresses to Use When You Have Questions:

Internal Revenue Service

Business and Specialty Tax Line
800-829-4933

Electronic Federal Tax Payment System (EFTPS) Hotline
800-555-4477

Employee Plans Taxpayer Assistance Telephone Service
877-829-5500 (toll free)

Employer Identification Number (EIN) Request Number
800-829-4933

Monday - Friday, 7:00 a.m. to 10 p.m., local time or <http://www.irs.gov>, key word (upper right) "EIN."

Form 941 and Form 940 Filing On-Line Filing Program / Austin Submission Center

NewToll Free Number for e-Help
866-255-0654
Supports IRS *e-file*, TeleFile and future e-Service customers.
Go to <http://www.irs.gov/efile/article/0,,id=118520,00.html> for specifics.

Forms (IRS)

Forms may be ordered at 800-829-3676.

General IRS Tax Law Questions and Account Information
800-829-1040

Information Reporting Program Customer Service Section

866-455-7438 (toll free)
304-263-8700 (non-toll free)
Monday - Friday, 8:30 a.m. to 4:30 p.m., ET.

Telecommunications Devices for the Deaf (TDD) may be reached non-toll free at 304-267-3367.

Taxpayers can contact this unit via e-mail at mccirp@irs.gov.

Information Reporting Program Web Page

<http://www.irs.gov/smallbiz>

IRS Tax Fax

703-368-9694 (non-toll free)
This service offers faxed topical tax information.

Keywords on IRS.gov

IRS.gov is now using keywords as another way to help makes your visit less taxing! Look for the IRS keywords in its public service, outreach, and other materials for taxpayers and tax professionals. For a current list and more information about IRS keywords, check out <http://www.irs.gov/help/article/0,,id=108258,00.html>.

National Taxpayer Advocate's Help Line
877-777-4778 (toll free)

Retirement Plans Web Page
<http://www.irs.gov/ep?>

Social Security Tax Questions

Social Security Tax questions should be referred to the IRS at 800-829-1040.

Taxpayer Advocacy Panel
888-912-1227 (toll-free)

Telephone Device for the Deaf (TDD)
800-829-4059

Tele-Tax System
800-829-4477

Social Security Administration

Copy A / Form W-2 Reporting

Questions about wage reporting (submitting Copy A of Form W-2 to SSA) should be referred to the SSA's Employer Reporting Service at 800-772-6270 or e-mailed to employerinfo@ssa.gov.

General SSA Benefit Questions

General Social Security benefit questions should be referred to SSA's Tele Service Center at 800-772-1213.

Hiring a New Employee continued from page 1

Questionable Form W-4

If the employee submits a Form W-4 that claims

– exemption from withholding, and you know that the employee will earn more than \$200 per week, or

– more than 10 withholding allowances, then include a copy of the W-4 when you file your *Employer's Quarterly Federal Tax Return* (Form 941). This allows the IRS to review the employee's tax filing history to see that the employee has generally paid the proper amount of tax and has paid it on time. You only need to submit the copy of the W-4 one time.

Verify Employee's Name and Number

Even if you saw the employee's social security card, it's a good idea to verify the match of the name and SSN, in case of a name change or fraud. Plus, it's easy and free. You can call the Social Security Administration at 800-772-6270 to verify the information of up to five

employees at a time. Be prepared with the employer's name and federal ID number and the employee's name, SSN, sex, and date of birth. More information, including ways to check on more than five names and numbers, how to correctly format complex names, and what to do if the employee never gives you a SSN, are available at <http://www.socialsecurity.gov/employer/critical.htm>.

New Hire Reporting

Each new hire must be reported to the state in which he or she works shortly after the date of hire. This information is matched against child support records at the state and national levels to locate parents who owe child support. In addition, states are beginning to use the information to combat fraud in the areas of unemployment insurance, disability insurance, and workers' compensation benefits.

New hire reporting may be accomplished as easily as faxing a copy of the employee's

W-4, but every state offers more methods as well, ranging from mailing a printed report to interactive telephone systems to Internet submission. In addition, multistate employers may elect to send all their new hire reports to just one state. More information, including links to each state's requirements, is at <http://www.acf.hhs.gov/programs/cse/newhire/employer/private/nh/newhire.htm>.

APA's (American Payroll Association's) strong partnership with the IRS and SSA allows it to prepare its classes and publications with the most accurate and up-to-date information to educate employers. IRS and SSA experts speak at many APA conferences and one-day seminars, such as its *Preparing for Year-End and 2005*. As a member of IRS' advisory committees, APA provides input toward improving the nation's wage and tax reporting process. More information about the APA is available at <http://www.americanpayroll.org>. APA

Subscribe to IRS Retirement News for Employers

Need information on retirement plans? The *Retirement News for Employers* is a periodic newsletter with retirement plan information for employers and business owners from **Employee Plans, [Tax Exempt and Government Entities (TE/GE)], at the IRS.**

Sign up for the *Retirement News for Employers* and you'll get information on:

- New rules affecting retirement plans;
- Retirement plan forms and plain-language publications;
- Retirement seminars geared toward employers and owners; and
- Developments from other federal agencies.

You can subscribe to *Retirement News for Employers* by going to the Retirement Plans web page at www.irs.gov/ep and clicking on "Newsletters" under "Related Topics". IRS

Important Information for Employers who Pay Employees Salary While on Military Duty

If you are an employer who continues to pay an employee full salary or the difference between his salary and the amounts received from the military, be aware that the employment relationship between the employee and the company was terminated when the worker was called for active military service with the U.S. Government or for active service with the state National Guard. Under the circumstances, the payments made by the company to the former employees while they are in military service with the U.S. Government or active service with the state National Guard are not "wages" for services performed in "employment" for the companies. These payments, therefore, are not "wages" subject to the taxes imposed by the Federal Insurance Contributions Act and the Federal Unemployment Tax Act or to the Collection of Income Tax at Source on Wages. Note however, these payments are includable to the taxpayer as income. Businesses are required to issue a Form 1099 *Miscellaneous* for any amounts paid.

For information on this topic please go to the IRS Web site at <http://www.irs.gov/newsroom/article/0,,id=112695,00.html>. IRS

New Internet Filing System for Businesses

There is a new Internet system dedicated exclusively to the filing of information return Forms 1042-S, 1098, 1099, 5498, 8027, W-2G, and QWF (Questionable Forms W-4). The new FIRE (Filing Information Returns Electronically) System is available for use at <http://fire.irs.gov>.

The advantages of Filing Information Returns Electronically on the new Internet system include:

- **It's secure**—data security is supported by SSL 128-bit encryption;
- **It's paperless**—there are no Form 4804 requirements;
- **It's easy to use**—there is better customer service due to on-line availability of transmitter files;
- **It's efficient**—online notification within 1-2 days (1042-S, 8028, and QWF require additional time);
- **It's fast**—large files compressed with PKZIP or WINZIP reduce transmission time by up to 95 percent;
- **It's flexible**—due dates are extended for electronically filed forms 1098, 1099 and W-2G. There is also an extended period to test electronic files: November 1 to February 15. (Submitting a test file is recommended for all transmitters using the new system for the first time).

Current users of the dial-up FIRE System that had accounts prior to April 2, 2004 just need to click "Log on" and it will accept your UserID, Password, and PIN, otherwise, click on "Create New Account" and set up your new account. When you complete this registration process (which should take approximately 5 minutes), you will be ready to send your data!

New filers are required to submit Form 4419, *Application for Filing Information Returns Electronically/Magnetically*, to request authorization to file information returns with Internal Revenue Service Martinsburg Computing Center (IRS/MCC). Once approved, a five-character alpha/numeric Transmitter Control Code (TCC) will be assigned. If you already have a TCC for magnetic media filing, you do not need to re-apply. Form 4419 should be submitted to IRS/MCC at least 30 days before the due date of the returns for current year processing. Completed applications should be mailed to:

Internal Revenue Service
Martinsburg Computing Center
Information Reporting Program
230 Murall Drive
Kearneysville, WV 25430

Instructions for Filing Information Returns Electronically can be found in Publication 1220 Part B and/or Publication 3609, and are available at <http://www.irs.gov>. If you have questions, call us toll-free at 866-455-7438 Monday through Friday from 8:30 a.m. to 4:30 p.m. Eastern time. 

EFTPS – The Easy Way To Keep Track Of All Your Tax Payments



More and more businesses are enrolling in the Electronic Federal Tax Payment System (EFTPS) to keep

track of their federal tax payments. Even if you use a payroll service provider to make tax payments on your behalf, it is a good business decision to separately enroll in EFTPS.

EFTPS maintains a business's electronic tax payment history for 16 months. Once enrolled, you can view your history online at <http://www.eftps.gov>. You can search, sort, and download information to review or keep in your files. The IRS recommends that employers verify EFTPS payments as part of your bank account reconciliation process. This will help you make sure tax payments are being made in a timely manner.

In addition, if you allow your payroll service provider to make tax payments on your behalf you should determine which taxes they are paying for you, and if they are not making all of your tax payments through EFTPS, you can enroll in EFTPS to initiate those tax payments not handled by your payroll service provider. By doing this, all of your federal tax payment history will be located within EFTPS for easy reference at filing time.

To enroll in EFTPS, visit <http://www.eftps.gov>, or call EFTPS Customer Service for a Form 9779 *Business Enrollment Form*: 800-555-4477. 

SSA/IRS



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Denver, CO 80202-2490

e-mail: SSA.IRS.REPORTER@irs.gov

Fax: 303-446-1764

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IRS e-Services for Tax Professionals

Attention Employers and Tax Professionals—

Are you and your tax professional aware of the new e-Services available at the IRS? e-Services is a suite of Web-based products that allows tax professionals and payers to do business with the IRS electronically. These services are available 24 hours a day, 7 days a week from just about any computer with an Internet connection.

The IRS has long recognized the value of the tax professional community as its partner in reaching the goals of tax administration and compliance. e-Services was designed as a major solution that would drive the increase of e-filing through use of electronic initiatives, which not only offer incentives to preparers who electronically file returns but also allows them to offer better service to their customers.

The IRS has released two new electronic tools for tax professionals. Disclosure Authorization (DA) and Electronic Account Resolution (EAR) are the latest additions to the IRS suite of e-Services that give tax professionals online options for working with the IRS.

The Disclosure Authorization tool gives eligible tax practitioners an online option for submitting Powers of Attorney or Taxpayer Information Authorization forms. Electronic

Account Resolution allows tax practitioners to electronically correspond with the IRS.

"Business Systems Modernization is a key part of our broader agenda at the IRS," said IRS Commissioner Mark W. Everson. "IRS continues to improve service to taxpayers through delivery of technology."

Disclosure Authorization and Electronic Account Resolution are premium e-Services. They are available to tax professionals who successfully e-file 100 or more individual tax returns and are registered to use e-Services.

Disclosure Authorization (DA)

Eligible tax professionals can complete authorization forms (POAs), view and modify existing forms, and receive acknowledgment of accepted submissions immediately, all online. DA allows tax professionals to electronically submit Form 2848, Power of Attorney and Declaration of Representative, and Form 8821, Tax Information Authorization. The online versions also provide for electronic signature by taxpayers. The IRS acknowledges each accepted submission within seconds and tax professionals can begin acting on behalf of their clients right away.

Electronic Account Resolution (EAR)

Using EAR, tax professionals have a secure method of electronically corresponding with

IRS to ask about individual or business account problems, refunds, installment agreements, notices or missing payments. Account-related questions raised by eligible tax professionals are answered by IRS contact representatives after EAR verifies the tax professional has authority to represent the taxpayer. The IRS response is delivered to an electronic secure mailbox within three business days and the tax professional is notified by e-mail. Electronic Account Resolution eliminates the wait for telephone and written responses.

Disclosure Authorization and Electronic Account Resolution are just two of the products developed and delivered through the IRS Business Systems Modernization program. They are part of the e-Services project which has already delivered: Registration, Online e-file Application, Preparer Tax Identification Number (PTIN) Application and Taxpayer Identification Number (TIN) Matching. Only approved IRS business partners, such as e-filing tax professionals and payers, are eligible to use e-Services, which are available 24 hours a day, seven days a week.

If you or your tax professional would like more information about IRS e-Services, please visit <http://www.irs.gov>, and click on the Tax Professionals link. 

Modernized e-File Wins Pioneer Award

To add to a successful launch of the IRS's Modernized e-File (MeF) Project in February 2004, MeF was one of the 15 recipients of the coveted Government Solutions Center Pioneer Award.

This award was presented on June 3, 2004 for e-government best practices. In addition MeF received the "Best of the Best" award voted on by the other award winners as the best e-government solution of all the nominations. Federal Computer Week Media Group selected MeF for the Government Solutions Center award.

MeF is in the final stages of testing for Release 2 that contains 43 additional forms and schedules that can be filed with the corporation Forms 1120/1120S. Production of live returns began in mid-August 2004. To date over 36,000 MeF returns have been filed.

Additional information on the program can be found on the [irs.gov Web site at http://www.irs.gov/efile/article/0,,id=103797,00.html](http://www.irs.gov/efile/article/0,,id=103797,00.html).

If you would like more information on 1120/1120S e-file contact the project by email at 1120@irs.gov. 

Change of Address? Out of Business?

Notify the IRS. Send a letter to the IRS center you sent your business returns. Please include your employer Identification Number (EIN).

Cincinnati IRS Center,
Cincinnati, OH 45999

Ogden IRS Center,
Ogden, UT 84201

Outside U.S.:

Philadelphia IRS Center,
Philadelphia, PA 19255.

Social Security Administration

Internal Revenue Service

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Reporter

Winter 2004

A Newsletter
for Employers

IRS Set to Debut Redesigned Form 941 in 2005

The Internal Revenue Service has redesigned Form 941, Employer's Quarterly Federal Tax Return. The new version will be used for the first quarter of 2005 (3/31/05).

A team of subject matter experts from across the IRS worked closely together since 2002 to redesign Form 941. Each line of the form was critically reviewed. In addition, IRS brought in "plain language" contractors to help ensure the form and accompanying instructions are clear and easy to understand.

In November 2003, an early draft of the form was shared with key stakeholders in the payroll community to solicit their comments and feedback. These comments were reviewed and incorporated to the extent possible by the team. The form was placed on IRS.gov for public comment as well. IRS conducted focus group testing. Many focus group participants liked the new format and felt the redesigned form would be easier for new users to learn.

There are a number of highlights to note about the format changes including:

- Open Design
- Plain Language
- Darkened background, which highlights entry spaces
- Form divided into six distinct parts
- Quarters clearly identified
- Checkbox added
- Adjustments grouped
- Deposit reporting simplified
- Paid Preparer Identification Section added
- Two pages instead of one
- Form is scannable
- Better layout; more white space

To view the draft version of Form 941 please visit the IRS.gov Web site at <http://www.irs.gov/pub/irs-dft/d941.pdf>. 

Social Security Announces Changes for 2005

The Social Security wage base for 2005 is \$90,000 up from \$87,900 in 2004. Beginning January 1, 2005, employers should withhold Social Security taxes (6.2 percent) from employees' wages up to \$90,000 and withhold the Medicare tax (1.45 percent) on all wages.

Employers must match the tax payments withheld from employees' wages. Employees earn one Social Security credit for each \$920 in earnings, up to a maximum of four credits for the year.

How Work Affects Social Security Benefits

An employee can get Social Security retirement or survivors benefits and work at the same time. However, benefits could be reduced if the employee is not full retirement age* and earns more than \$12,000 in 2005. (In 2005, full retirement age is age 65 and 6 months.) If an employee is younger than age 65 and 6 months for all of 2005, Social Security will deduct \$1 from the Social Security benefit for each \$2 earned above \$12,000.

If an employee reaches full retirement age during 2005, Social Security will

continued on page 2

Penalty Prevention on Employment Returns

Many proposed and/or assessed Failure To Deposit (FTD) penalties can be avoided by conducting a final review. Take these steps before submitting Form 941, *Employer's Quarterly Federal Tax Return*, Form 943, *Employer's Annual Tax Return for Agricultural Employees*, or Form 945, *Annual Return of Withheld Federal Income Tax*, to the IRS.

Employer Identification Number (EIN)

- Verify that the correct EIN is used.
- Check for possible transposition of numbers.
- If a business has more than one EIN, ensure that the correct number and corresponding name is used on each form.

Business Name

- Verify that the correct name line is used. The name of the business must be stated the same as on the SS-4 Application for EIN. Problems may occur when the business submits the employment tax return under the secondary line name, or doing business as (DBA) name.
- Check correspondence from IRS. The correspondence will have the correct name on the first line of the addressee.

Liability Breakdown

Monthly Scheduled Depositor:

- Report monthly liabilities on the monthly schedule of Federal tax liability section located at the bottom of the return.
- Verify that the total tax liability equals the total net tax. The liability breakdown is not a listing of tax deposits.

For example:

Form 941, line 17 must equal Form 941, line 13 net tax (2004 and Prior)

New Form 941 revision 2005

- Form 941, line 15 must equal Form 941, line 10 net tax
- Form 943, line 8 must equal Form 943 line 11 net tax
- Form 945, line 15 must equal Form 931 line 4

Semi-weekly Scheduled Depositor:

- Report tax liabilities on:
 - Form 941, *Schedule B Employer's Record of Federal Tax Liability*,
 - Form 943A, *Agricultural Employer's Record of Federal Tax Liability*,
 - Form 945A, *Annual Record of Federal Tax Liability*

- Verify that the total tax liability equals the total net tax. The liability breakdown is not a listing of tax deposits.

For example:

Schedule B (Form 941) line D equals Form 941 line 13 net tax (2004 and Prior)

New Form 941 revision 2005

- Schedule B (Form 941) Total Tax Liability for the Quarter equals Form 941 line 10 net tax.
 - Form 943A line M equals Form 943 line 11 net tax
 - Form 945A line M equals Form 945 line 4
- Do not list negative figures. If necessary, apply the credit to the specific liability.

Do not include any liability that is outside of the specific return tax period. For example, if a year-end bonus is distributed on January 4, 2005, for income tax withheld on December 31, 2004, the liability must be recorded on January 4, 2005, the year in which the individual actually received the payment.

Errors in the liability breakdown on full paid returns may result in the systemic generation of letter CP 207, *Proposed Failure To Deposit Penalty, Request for Correct ROFT Information, (Record of Federal Tax Liability)* which states that the liability breakdown was not received or could not be used. If the employer does not respond to the CP 207 within the time frame given, the IRS will assess the initial Failure To Deposit penalty based on averaging the tax liability.

Misapplied Tax Deposits

- Identify the correct form and tax period when sending payments to the IRS.
- Correct any errors prior to the return filing due date to avoid a possible penalty.

Note: Corrections to tax deposits can be made by calling 800-829-4933.

Late or Insufficient Tax Deposits

- Identify the error and make the payment
 - Use EFTPS if required
- Taxpayer may request Designation of Payment by telephone or correspondence
 - Request must be received within 90 days of penalty assessment

IRS/SSA Reconciliation

Avoid errors by comparing, and reconciling, the amounts to be reported to SSA on Form W-3 to the sum of the amounts you reported to IRS on Forms 941, 943, 945 or Schedule H for the entire tax year. **IRS**

Social Security Announces New e-filing Changes

Social Security has incorporated two changes into its Magnetic Media Reporting and Electronic Filing (MMREF) publication. Magnetic tapes and cartridges will be eliminated beginning with the tax year (TY) 2005 W-2 reports (due to Social Security in calendar year 2006). This means that TY 2004 (calendar year 2005) is the last year Social Security will accept tapes and cartridges. Also, diskettes will be eliminated beginning with the TY 2006 W-2 reports (due to Social Security in calendar year 2007). TY 2005 (calendar year 2006) is the last year Social Security will accept diskettes.

Instead, wage reports must be filed electronically via Social Security's Business Services Online (BSO). BSO is a suite of Internet services for companies conducting business with Social Security. The MMREF publication and additional information on wage report filing can be obtained by accessing Social Security's employer reporting Web site at <http://www.socialsecurity.gov/employer> or by calling 800-772-6270.

Social Security receives more than 236 million Forms W-2 a year. Fifty-eight percent of them are now transmitted electronically. Find out why so many businesses choose e-filing. Visit <http://www.socialsecurity.gov/bsobso/welcome.htm> today. You'll be glad you did. **SSA**

Changes for 2005 continued from page 1

deduct \$1 in benefits for every \$3 earned above \$31,800 in 2005 until the month the employee turns 65 and 6 months.

If employees reach full retirement age or older and choose not to receive Social Security benefits right away, it could mean a higher benefit for them later in life and an increase in the future benefit amounts for their families and survivors. However, when employees reach full retirement age, they can work and receive unreduced Social Security retirement benefits no matter how much they earn.

Employees receiving Social Security disability or Supplemental Security Income benefits must report all wages, no matter how little they earn.

For more detailed information on how work affects Social Security benefits, visit Social Security's Web site for the Publication "How Work Affects Your Benefits" at www.socialsecurity.gov/pubs/10069.html or call toll-free 800-772-1213 and ask for the publication.

*The full retirement age is increasing in gradual steps until it reaches age 67. This change began in 2003, and it affects people born in 1938 or later. **SSA**

SSA/IRS

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Joel R. Klein, Editor

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Small Business/Self-Employed
Communications

600 17th Street, MS:6400 DEN
Denver, CO 80202-2490

e-mail (NOT for change of address):
SSA.IRS.REPORTER@irs.gov

Fax: 303-446-1764

CHANGE OF ADDRESS? OUT OF BUSINESS?

Notify the IRS. Send a letter to the IRS center to which you sent your business returns. Please include your employer Identification Number (EIN).

Cincinnati IRS Center,
Cincinnati, OH 45999

Ogden IRS Center,
Ogden, UT 84201

Outside U.S.:
Philadelphia IRS Center,
Philadelphia, PA 19255.

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Collecting "Taxable Benefit" Information

One of the challenges of the payroll year-end process is collecting information about any and all taxable fringe benefits so that they are reported on Forms W-2 and so that taxes are withheld and deposited. Besides educating yourself about the various benefits that may be either taxable or excludable from wages, you'll want to talk to other departments in your company, such as accounts payable or human resources, as they may be unaware that a benefit or payment they are handling is taxable.

The correct treatment of various fringe benefits is vital in order to save your company the expense of tax deposit penalties, the time involved in making corrections (Form W-2c), and/or the cost of paying the taxes on behalf of the employee (such as if the employee has terminated before you realize he or she received a taxable benefit). Good communication between all departments throughout the year is essential to a successful and accurate year-end.

Where to Begin

Compile a list of possible taxable fringe benefits for your company. A good resource, which includes the rules on valuing and taxing various benefits, is IRS' *Employer's Tax Guide to Fringe Benefits* (Publication 15-B). Read any employee handbooks or policy manuals. Examples of potentially taxable benefits include:

- Personal use of company cars
- Educational assistance
- Moving/relocation expenses
- Life insurance
- Loans
- Awards, prizes, gifts
- Third-party sick pay
- Dependent care
- Employee business expenses

You may want to examine the Forms W-2c that were prepared for the last tax year to see if there were certain benefits that were often overlooked, and you may want to look at last year's Forms W-2 to see which benefits were reported in box 12.

Set Up Your Meeting

Once you have compiled this list, hold a meeting to review it with representatives of other departments, including accounts payable, human resources, benefits, accounting, and tax. Be sure to include someone from your information technology department or from your payroll service provider if any programming changes will be required to collect or report new information. For

any newly "discovered" wages, you'll probably also need to consider how it will be recorded in the general ledger, whether it is subject to regular or supplemental wage withholding, and whether it is subject to state income tax or unemployment tax.

When Fringe Benefits Are Considered Paid

This communication should take place more often than just at year-end. Any fringe benefit paid in cash and any taxable relocation expenses must be included in wages and are subject to withholding at the time they are paid. There is more flexibility with non-cash taxable fringe benefits, which may be considered "paid" at any time during the year in which they were provided. However, once they are considered paid, the withholding and reporting must take place in the same pay period.

"Grossing up" a benefit

If, at the time you consider a benefit to be paid, the employee is no longer receiving wages from which to withhold income tax (federal, state, and/or local), social security tax, and Medicare tax, the employer must pay these taxes on behalf of the employee. However, doing so is another taxable benefit! Therefore, the original taxable benefit must be "grossed-up" by dividing its value by an amount equal to one minus the sum of all the applicable tax percentages.

For example, if an employee working in Kansas was awarded a \$500 television, but is no longer receiving wages at the time the payroll department learns about it, the total benefit to be included in the employee's W-2 is calculated as follows, using these tax rates: federal supplemental wage withholding = 25%, social security tax = 6.2%, Medicare tax = 1.45%; Kansas supplemental wage withholding = 5%.

\$500	\$500	\$801.92
1-.25-.062-.0145-.05	0.6235	

The employer will include \$801.92 as taxable wages on the employee's W-2, pay the \$301.92 in taxes on the employee's behalf (and, as always, match the social security and Medicare taxes), and include the tax amounts in their respective boxes on the W-2.

The American Payroll Association's strong partnership with the IRS and SSA allows it to include the most accurate and up-to-date information in its classes and publications, such as its book, *The Payroll Source*[®]. More information about the APA is available at <http://www.americanpayroll.org>. 

SB/SE Listserv

The SB/SE Listserv is an email generated message delivered to your email box. Subscribers receive messages highlighting IRS outreach programs for small business, and new products.

To subscribe go to <http://www.irs.gov/businesses/small/page/0,,id=81399,00.html>.

Social Security Unveils 2005 Enhancements for Electronic Registration and Wage Reporting Services

Social Security has enhanced its online registration and electronic wage reporting services for the upcoming tax filing season. These new and enhanced services will be available January 10, 2005 via the Business Services Online (BSO) Web page – Social Security's secure, interactive suite of Internet services for the business community. The Web page can be found at <http://www.socialsecurity.gov/bsowelcome.htm>.

Online Registration Enhancements

The 2005 changes will make the registration process easier to use and allow for even greater flexibility and security. For example,

- When registering for a PIN, users will self-select their own password.
- New registrants can choose the service(s) that best suits the type of business that they want to conduct with

Social Security (described in more detail below).

■ Access to some BSO services will now require an activation code. Depending on the service(s) requested, an activation code will be mailed to either the registrant or the employer.

As a user of the BSO Web page, you will be able to register for three basic types of services:

1. Wage Reporting – Allows you to report wages by uploading files or by directly keying data into an online Form W-2 or Form W-2c.
2. File/Wage Report Status, Error and Error Notices – With this service you can view the processing status of your report, request a 15-day extension to resubmit a rejected file, view errors, resubmission notices, and wage reports submitted by or for your company.
3. View Name and Social Security Number (SSN) Errors – Allows you to

view not only the processing status, errors and resubmission notices, but also the name and SSN mismatches, error information and facsimiles of the Name/SSN Validation Employer Notices. This service requires a more stringent authentication process and company approval before access is granted.

New Wage Reporting Enhancements Include:

- Direct Input of Forms W-2c – You will be able to create and submit Forms W-2c online to correct information previously submitted on Forms W-2. You will also be able to print the W-2c information for distribution to your employees. You can use the W-2c online service even if your original Forms W-2 were submitted on paper or magnetic media!
- Submission Status Information – You can now view the status of all reports within a submission.

Error Information – Social Security now indicates the severity (critical or informational) of each error encountered within a submission or employer report. Electronic filers enjoy a later filing deadline (the last day of March versus the last day of February for all other filing methods) and an online receipt for proof of timely filing. Visit <http://www.socialsecurity.gov/bsowelcome.htm> to view the online tutorial, which walks you through the screens so that you can see the services before you actually use them. You also can access the *Business Services Online Handbook* for instructions on how to access and use all of the registration and electronic filing services mentioned above.

You also may call the Employer Reporting Service Center from Monday-Friday, 7:00 a.m. to 7:00 p.m., Eastern Time, at 800-772-6270 or e-mail us at employerinfo@ssa.gov. SSA

TEST YOUR

KNOWLEDGE

Kerry, controller for Spruce Designs, was reviewing the Forms 1099-MISC (*Miscellaneous Income*) prepared by a staff assistant. Even though the non-employee compensation payments exceeded the reporting threshold (i.e. \$600 or more), Kerry was unsure about issuing a "1099" form to one of the contractors, Maple Services LLC. Maple provided contract equipment maintenance and had received payments totaling \$5,700 for the year. Patrick, the owner of Maple, or one of Maple's employees provided the services under the contract.

Kerry noted that although Maple Services was a limited liability company (LLC), the *Individual/Sole Proprietor* status box was checked on the Form W-9 (*Request for Taxpayer Identification Number and Certification*). Kerry thought that the Form W-9 otherwise looked complete but was uncertain why the Maple "company" would have the status of sole proprietor.

Question: Is a Form 1099-MISC required for Maple? (See "Spotlight on Information Reporting—Form 1099-MISC", right, for answer.)

Spotlight on Information Reporting— Form 1099-MISC (Miscellaneous Income)

Answer: Spruce Designs should issue a Form 1099-MISC to Maples Services LLC since, as discussed below, Maple is treated as a sole proprietorship under the applicable default classification.

A limited liability company (LLC) is a relatively new structure under state law for organizing a business. Under the default classification of an LLC with a single owner, the LLC is disregarded for federal taxation purposes as an entity separate from its owner (e.g. an LLC with only a single individual owner, such as Maple, would be treated as a sole proprietorship under the default classification). For an LLC with more than one owner, the default classification is a partnership. An election can also be filed by an LLC to be treated as a corporation, instead of the applicable default classification. Special rules are provided regarding foreign LLCs.

Resources for Additional Information:

Information Returns Processing
<http://www.irs.gov/taxpros/content/0,,id=98185,00.html>

Frequently Asked Questions and Answers—
Keyword: Limited Liability Company (LLC)
<http://www.irs.gov/faqs/faq-kw127.html>

Publication 3402, *Tax Issues for Limited Liability Companies*
<http://www.irs.gov/pub/irs-pdf/p3402.pdf> IRS

FIRE

(Filing Information Returns Electronically)

The new Internet system dedicated exclusively to the filing of information returns Forms 1042-S, 1098, 1099, 5498, 8027, W-2G, and QWF (Questionable Forms W-4), known as FIRE is available for use at <http://fire.irs.gov>. Files submitted electronically via the FIRE System have specific format requirements that must be prepared according to guidance found in Publication 1220, *Specifications for Filing Information Returns Electronically/Magnetically*.

Note: This system does not provide for filling in forms.

The Vendor List, Publication 1582 is available on the IRS Web site at <http://www.irs.gov/taxpros/providers/article/0,,id=98045,00.html>.

Instructions for Filing Information Returns Electronically can be found in Publication 1220 Part B and/or Publication 3609, and are available at www.irs.gov. If you have questions, call us at 866-455-7438 Monday through Friday from 8:30 a.m. to 4:30 p.m. ET, or email us at mccirp@irs.gov. (Outside the U.S. call 304-263-8700.) (TDD line 304-267-3367.) IRS

Outsourcing Payroll Duties Can be a Sound Business Practice, But...Know Your Tax Responsibilities as an Employer

Many employers outsource some of their payroll and related tax duties to third-party payroll service providers. They can help assure filing deadlines and deposit requirements are met and greatly streamline business operations. Some of the services they provide are:

- Administering payroll and employment taxes on behalf of the employer, where the employer provides the funds initially to the third-party.
- Reporting, collecting and depositing employment taxes with state and federal authorities.

Employers who outsource some or all of their payroll responsibilities should consider the following:

The employer is ultimately responsible for the deposit and payment of federal tax liabilities. Even though the third-party is making the deposits, the employer is the responsible party. If the third-party fails to make the federal tax

payments, the IRS may assess penalties and interest on the employer's account. The employer is liable for all taxes, penalties and interest due. The employer may also be held personally liable for certain unpaid federal taxes.

If there are any issues with an account, the IRS will contact the employer. IRS correspondence is sent to the address of record so it is strongly suggested that the address not be changed to that of the payroll service provider as it may significantly limit the employer's ability to be timely informed of tax matters involving their business.

For the employer's protection, the payroll service provider should be asked if they have a fiduciary bond in place. This could protect the employer in the event of default.

Employers should ask the service provider to enroll in and use EFTPS (Electronic Federal Tax Payment System), so they can confirm payments made on their behalf. EFTPS maintains a business's payment history for 16 months and can be viewed on-line after enrollment. The IRS recom-

mends employers verify EFTPS payments as part of their bank account reconciliation process.

EFTPS is fast, safe, accurate and provides an immediate confirmation for each transaction. The service is offered free of charge and enables employers to make and verify federal tax payments electronically 24 hours a day, 7 days a week through the Internet, or by phone. For more information, employers may call 800-555-4477, or enroll online by visiting the EFTPS Web site at <http://www.eftps.gov>.

There have been recent prosecutions of individuals and companies who have, acting under the guise of a service provider, stolen funds intended for payment of employment taxes. For more information, visit the IRS Web site at <http://www.irs.gov/irs/content/0,,id=106701,00.html>.

Remember, employers are ultimately responsible for the payment of income tax withheld and both the employer and employee portions of social security and Medicare taxes.

IRS

State Social Security Administrators Serve as Guide for State, Local Government Employers

As a State and local government employer, you are affected by special coverage provisions under the Social Security Act. Through a *sui generis* Federal and State agreement, State and local government employees may be eligible for Social Security and Medicare Hospital Insurance (HI), or Medicare HI only coverage. This agreement is referred to as the Section 218 Agreement and it brings about additional and unique responsibilities to government employers.

Each State has a delegated State Social Security Administrator who is available to assist new and existing government employers in understanding and complying with the Section 218 Agreement process. State and local government employers, including city and county governments, are encouraged to report all new components to their State Administrator as they are made aware of them.

Employers can find a listing of their respective State Administrators at the following link: <http://www.ncsssa.org>. Select State Administrators from the side bar. **SSA**

How to Avoid an "Averaged" Failure-To-Deposit Penalty

IRS may assess an "averaged" failure-to-deposit (FTD) penalty of 2% to 10% if you are a monthly schedule depositor and did not properly complete the monthly liability section of Form 941 when your total adjusted tax liability shown on Form 941 exceeded \$2,500.

IRS may also assess an "averaged" FTD penalty of 2% to 10% if you are a semiweekly schedule depositor and your total adjusted tax liability shown on Form 941 exceeded \$2,500 and you (1) completed the monthly liability section of Form 941 instead of Schedule B (Form 941), (2) failed to attach a properly completed Schedule B (Form 941), or (3) improperly completed Schedule B (Form 941) by, for example, entering tax deposits instead of tax liabilities in the numbered spaces.

The FTD penalty is computed by taking your total adjusted tax liability shown on Form 941 and distributing it equally throughout the tax period. As a result, your deposits and payments may not be counted as timely because the actual dates of your tax liabilities cannot be accurately determined.

An "averaged" FTD penalty can be avoided by reviewing your return prior to filing it. Follow these steps before submitting your Form 941.

If you are a monthly schedule depositor, report your tax liabilities (not your deposits) in the monthly liability section shown on Form 941.

If you are a semiweekly schedule depositor, report your tax liabilities (not your deposits) on Schedule B (Form 941) in the lines that represent the dates your employees were paid.

Verify that your total liability shown on Form 941 or the bottom of Schedule B (Form 941) equals your total adjusted tax liability shown on Form 941.

Do not show negative amounts in the monthly liability section Schedule B (Form 941). If your prior period correction results in a decrease to your tax liability, reduce your liability for the day that you discovered the error by the tax decrease resulting from the error, but not below zero. Apply any remaining decrease to subsequent liabilities. **IRS**

Schedule D (Form 941) Helps Reconcile Employment Tax Discrepancies

When a company acquires, consolidates with, or goes through a statutory merger with another company, both companies often have discrepancies between the amounts reported to the Social Security Administration on Forms W-2 (*Wage and Tax Statement*) and the amounts reported to the IRS on Forms 941 (*Employer's Quarterly Federal Tax Return*). These discrepancies may occur in the totals of social security wages and tips, Medicare wages and tips, federal income tax withheld, and advanced earned income credit payments.

Schedule D (Form 941), *Report of Discrepancies Caused by Acquisitions, Statutory Mergers, or Consolidations*,

helps employers explain the discrepancies. The schedule is available to explain discrepancies caused by acquisitions, consolidations or statutory mergers that are effective on or after January 1, 2005.

Revenue Procedure 2004-53 (<http://www.irs.gov/pub/irs-drop/rp-04-53.pdf>) provides the guidance on the new schedule, along with guidance on preparing and filing employment tax and related returns for certain acquisitions. This revenue procedure supersedes Revenue Procedure 96-60, 1996-2 C.B. 399. This revenue procedure also amplifies Revenue Ruling 62-60, 1962-1 C.B. 186. The guidance also eliminates a barrier to electronic filing by removing the requirement that employers must paper file their

Forms 941 in the event of certain acquisitions, statutory mergers, or consolidations.

The new schedule should help reduce taxpayer burden, and allow the IRS to use its resources more productively since the schedule will allow the IRS to resolve apparent employment tax discrepancies without contacting the taxpayer in many cases.

The IRS and employers worked together utilizing the IRS Industry Issue Resolution (IIR) program to develop the new schedule and the accompanying guidance in Revenue Procedure 2004-53. The IIR program is a vehicle for taxpayers, associations, and other groups representing businesses to use and submit issues that are frequently disputed or burdensome for

their industry. The National Association of Tax Reporting and Payroll Management was the sponsor of the IIR submission that led to the new guidance.

Revenue Procedure 2004-53 appears in Internal Revenue Bulletin 2004-34, August 23, 2004 (<http://www.irs.gov/pub/irs-irbs/irb04-34.pdf>). Additional information about the revenue procedure or the Schedule D (Form 941) is in the IRS press release IR-2004-109, dated August 18, 2004, (<http://www.irs.gov/newsroom/article/0,,id=128499,00.html>) available in the Newsroom section of IRS.gov. Information about the IIR program may be found by searching IIR Program in the search box at <http://www.irs.gov>. **IRS**

HELP Telephone Numbers and Web Addresses to Use When You Have Questions:

Internal Revenue Service

Business and Specialty Tax Line
800-829-4933

Electronic Federal Tax Payment System (EFTPS) Hotline
800-555-4477

Employee Plans Taxpayer Assistance Telephone Service
877-829-5500 (toll free)

Employer Identification Number (EIN) Requests
800-829-4933

Monday - Friday, 7:00 a.m. to 10:00 p.m., local time or <http://www.irs.gov>, key word (upper right) "EIN."

Form 941 and Form 940 Filing On-Line Filing Program / Austin Submission Center
New Toll Free Number for e-Help 866-255-0654
Supports IRS *e-file*, TeleFile and future e-Service customers. Go to <http://www.irs.gov/efile/article/0,,id=118520,00.html> for specifics.

Forms (IRS)
Order at 800-829-3676.

General IRS Tax Law Questions and Account Information
800-829-1040

Information Reporting Program Customer Service Section

866-455-7438 (toll free)
304-263-8700 (non-toll free)
Monday - Friday, 8:30 a.m. to 4:30 p.m., ET.

Telecommunications Devices for the Deaf (TDD) may be reached non-toll free at 304-267-3367.

Taxpayers can contact this unit via e-mail at mccirp@irs.gov.

Information Reporting Program Web Page

<http://www.irs.gov/smallbiz>

IRS Tax Fax

703-368-9694 (non-toll free)
This service offers faxed topical tax information.

Keywords on IRS.gov

IRS.gov is now using keywords as another way to help make your visit less taxing! Look for the IRS keywords in its public service, outreach, and other materials for taxpayers and tax professionals. For a current list and more information about IRS keywords, check out <http://www.irs.gov/help/article/0,,id=108258,00.html>.

National Taxpayer Advocate's Help Line
877-777-4778 (toll free)

Retirement Plans Web Page
<http://www.irs.gov/ep/>

Social Security Tax Questions

Social Security Tax questions should be referred to the IRS at 800-829-1040.

Taxpayer Advocacy Panel
888-912-1227 (toll-free)

Telephone Device for the Deaf (TDD)
800-829-4059

Tele-Tax System
800-829-4477

Child Support Web Site for Employers

<http://www.acf.hhs.gov/programs/cse/newhire/employer/home.htm>

Social Security Administration

Copy A / Form W-2 Reporting

Questions about wage reporting (submitting Copy A of Form W-2 to SSA) should be referred to the SSA's Employer Reporting Service at 800-772-6270 or e-mailed to employerinfo@ssa.gov.

General SSA Benefit Questions

General Social Security benefit questions should be referred to SSA's Tele Service Center at 800-772-1213.

Fifth Anniversary of Ticket to Work

On December 17, 2004, Social Security celebrated the fifth anniversary of the passage of the Ticket to Work and Work Incentives Improvement Act of 1999. This act offers unprecedented opportunities for Americans with disabilities, and Social Security is proud to help people use the "ticket" to return to the workforce.

In conjunction with *Ticket to Work*, the *Ticket to Hire Program* links employers to employment networks in their communities that have motivated, qualified candidates with disabilities who want to work. It provides a new source of talent and the following benefits for employers:

- Lower recruiting costs— it is absolutely free;
- Increased employee retention because employment networks may provide assistance to participants after they are hired to ensure success;
- Possible tax credits.

Almost 60,000 Tickets have been used by disability recipients. And on average, about 800 tickets per week are now being used for the first time by people with disabilities hoping to enter the workforce. To tap into this potential pool of employees, call toll free at 866-TTW-HIRE (866-889-4473). Or, for more information, log onto Social Security's Web site, <http://www.socialsecurity.gov/work>. **SSA**