

Social Security Administration

Internal Revenue Service

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Internal Revenue Service

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Reporter

Spring 2007

A Newsletter
for Employers

Social Security and American Payroll Association Provide Two Ways to Prepare W-2c, W-3c Online

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. Social Security and the American Payroll Association have joined together to offer you two great ways to prepare and file your W-2c's electronically.

Social Security's service is called W-2c Online. It allows you to create and electronically submit to Social Security up to 5 Forms W-2c at a time, all from your personal computer. It provides an acknowledgement of your submission and gives you a PDF file for

your records and for printing copies for your employees and any state or local tax agencies. It is convenient to store the employer's copies.

W-2c Online is part of a suite of services that Social Security offers on its Business Services Online (BSO) Web site. BSO users say that you will find W-2c Online just as user-friendly as its other electronic services. Even if you didn't file your original wage report electronically, you can still use W-2c Online to make the corrections.

However, W-2c Online does have some limitations. For instance, employers can't use it to make: *continued on page 2*

Reducing the Tax Gap, a Strategic Priority for the IRS

The tax gap—it's the difference between the amount individual taxpayers and businesses should pay and what is actually paid. The IRS estimates that the overall tax gap for all types of tax is approximately \$345 billion. Approximately one-third of the tax gap relates to the amount businesses and employers owe.

To reduce the tax gap, the IRS has developed a simple "working equation"—service plus enforcement equals compliance.

Not service OR enforcement, but service AND enforcement.

Service means helping people and businesses understand their tax obligations and making it easier for them to participate in the tax system. To increase taxpayers' knowledge of their obligations, the IRS' Small Business/Self-Employed operating division is conducting outreach and education on tax topics that have a high rate of non-compliance. It has developed eight fact sheets to educate businesses and employers *continued on page 2*

Redesigned Form 2678, *Employer Appointment of Agent*, to be Introduced in Early 2007

Form 2678, *Employer Appointment of Agent* (<http://www.irs.gov/pub/irs-pdf/f2678.pdf>), is being redesigned and is scheduled to be introduced in early 2007. A cross-functional team led by the Office of Taxpayer Burden Reduction redesigned the form using a plain language format.

The redesigned Form 2678 has two signature boxes, one for the employer or payer who is requesting that an agent be authorized, and one for the agent requesting the authorization. Both are required to be completed when requesting authorization from the Service. Additionally, the redesigned Form 2678 includes a revoca-

tion check box. However, only one signature is required when requesting revocation of an agent's appointment.

The redesigned form simplifies for employers and payers the identification of which forms an agent may be authorized to file on their behalf. It also requests that agents check a box to indicate whether the employer is a disabled individual or other welfare recipient receiving home-care services through a state program.

The instructions for completing the form are contained within the two page form itself and provide the address where the form must be filed. **IRS**

Preparing W-2c, W-3c Online continued from page 1

- Corrections for tax-years other than 2006
- Corrections to previous Forms W-2c
- Corrections to only state or local wage/tax data
- Corrections for wages earned in the U.S. territories, wages earned under a military employer identification number or U.S. military wages

For these situations, you can use the Online W-2c and W-3c on the Web site of the American Payroll Association (except for wages earned in Puerto Rico) at <http://www.americanpayroll.org/news/formw2c.html>. Social Security has approved it.

Just like the Social Security form, it gives all the copies required for filing with federal, state, and local tax agencies, for your employees, and for yourself. The Web site also provides tips on preparing Forms W-2c and W-3c, information on the thresholds for electronic filing, and links to IRS instructions for completing these forms.

Either method is a big improvement over ordering the paper form and preparing it in a typewriter. Whichever method you use, if your wage and tax data are filed by a payroll service provider, be sure to let them know that you prepared and filed Forms W-2c on your own.

Social Security's W-2 Online and other services are available on the BSO Web site; go to <http://www.ssa.gov/bsa/bsowelcome.htm> or call 1-800-772-6270.

APA maintains a strong partnership with the IRS and Social Security, whose experts speak at many APA conferences and one-day seminars, including its Payroll Tax Forum. More information about the APA is available at <http://www.americanpayroll.org>. **APA**

The Tax Gap continued from page 1

on meeting their tax obligations:

- **Business Income and the Tax Gap** (<http://www.irs.gov/newsroom/article/0,,id=158618,00.html>)
- **Cost of Goods Sold and the Tax Gap** (<http://www.irs.gov/newsroom/article/0,,id=160515,00.html>)
- **Third-Party Reporting Reminders** (<http://www.irs.gov/newsroom/article/0,,id=161511,00.html>)
- **Home Office Deduction Reminders** (<http://www.irs.gov/newsroom/article/0,,id=163079,00.html>)
- **Car and Truck Expense Deduction Reminders** (<http://www.irs.gov/newsroom/article/0,,id=163780,00.html>)
- **Depreciation Reminders** (<http://www.irs.gov/newsroom/article/0,,id=164589,00.html>)
- **Deducting Business Supply Expenses** (<http://www.irs.gov/newsroom/article/0,,id=165272,00.html>)
- **Deducting Travel, Entertainment and Gift Expenses** (<http://www.irs.gov/newsroom/article/0,,id=167363,00.html>)

Strong enforcement is also crucial to reducing the tax gap. The honest taxpayer and business should not feel he or she is the only one doing the right thing. The IRS is vigorously pursuing those who do not.

The IRS has strengthened its enforcement programs over the past few years. Fiscal Year 2005 results demonstrate that it has restored the credibility of its enforcement programs:

- Individual audits were up 20 percent from 2004 to 1.2 million; they are up 97 percent since 2000.
- High-income audits were also up and have increased 120 percent since 2000.
- Corporate audits bottomed out in 2003 but by 2005 had recovered by over 50 percent.
- Collections are more robust. Last year the IRS had 2.7 million levies versus 220,000 in the year 2000.
- All told, enforcement revenues increased from \$43.1 billion in 2004 to \$47.3 billion last year.

While the IRS has made progress over the past year, there is much more to be done. In

Special Wage Payments

Confused about filing Special Wage Payments with Social Security? SSA only accepts Special Wage Payment reports from employers on paper Form 131, or via 3490 or 3480 tape cartridge models.

If you have any questions concerning the submission of Special Wage Payment reports to SSA, please refer to IRS Publication 957 (<http://www.irs.gov/formspubs/lists/0,,id=97819,00.html>). You may also contact the Employer Services Liaison Officer in your region for assistance at http://www.socialsecurity.gov/employer/wage_reporting_specialists.htm. **SSA**

Try W-2c Online!

Dislike those dreaded paper W-2cs? Now you can make your corrections online. Social Security's W-2c Online will allow you to create, print and submit Forms W-2c directly over the Internet. Plus, W-2c Online is just as user-friendly as SSA's other options in our suite of electronic services. Best of all—it's FREE!

Visit <http://www.socialsecurity.gov/employer>, and choose "How to File." **SSA**

his Fiscal Year 2007 budget proposal, the President asked Congress to further strengthen enforcement and submitted five legislative proposals designed to reduce the tax gap and improve tax administration:

- Expanding third-party information reporting to include certain government payments for property and services,
- Expanding third-party information reporting on debit and credit card reimbursements paid to certain merchants,
- Clarifying liability for employment taxes for employee-leasing companies and their clients,
- Expanding beyond income taxes the requirement that paid return preparers sign returns and imposing a penalty when they fail to do so, and
- Authorizing the IRS to issue levies to collect employment tax debts prior to collection due process proceedings.

To find out more about the Tax Gap and what you can do about it, go to the Tax Gap Web site at <http://www.irs.gov/newsroom/article/0,,id=158619,00.html>. **IRS**

Easing the Burden of Submitting/Receiving Income Withholding Orders

Wouldn't it be nice for states to be able to electronically transmit income withholding orders to employers and for employers to be able to accept these electronic documents at the push of a button AND, in the process, establish an electronic link for all future communication? States and employers answered YES!

In August of 2004, a work group consisting of federal and state child support workers and employers met in Chicago to develop a process by which the income withholding order information could be transmitted electronically. In less than a year, their concept became a reality after a few states and employers participated in a pilot project to test the process.

The electronic income withholding order (e-IWO) enables states to transmit income withholding orders electronically through a standardized file layout. In addition, employers can electronically notify states regarding the status of e-IWOs received, including terminations and lump sum payments.

The e-IWO Project has resulted in:

- Increased child support collections
- Reduced administrative expenditures for states (postage, paper, handling)

- Reduced processing and handling costs for employers
- Improved communication between child support agencies and employers
- Withholding information provided in a consistent and uniform format

Due to the overwhelming success of the pilot project and the benefits indicated above, the Federal Office of Child Support Enforcement (<http://www.acf.hhs.gov/programs/cse>), along with state child support enforcement agencies and public and private employers, are looking to implement the process on a national level through the development of a centralized portal.

The portal will provide a central place for interested states and employers to "push and pull" or drop off and/or pick up e-IWO files. Various transport mechanisms are being reviewed to determine the best methodology for transmitting and receiving child support income withholding files.

Outreach efforts continue to educate states and employers about this process and its benefits. Anyone interested in more details, or in participating in the project should contact Bill Stuart at william.k.stuart@lmco.com or Anne Gould at anne.gould@acf.hhs.gov. 

Six States Now Require Electronic Child Support Payment

California, Florida, Illinois, Indiana, Massachusetts and Pennsylvania have all passed legislation or regulations requiring employers to remit their child support payments electronically. The criteria for determining whether your company must submit electronic payments vary by state.

California: Employers in California who are required to file their state taxes electronically are required to remit their child support payments electronically. The California State Disbursement Unit is fully operational, and employers are encouraged to begin conversion of their paper checks to electronic payments. California offers a web-based payment service for employers and non-custodial parents:

CA SDU Electronic Help Desk
(866) 325-1010 (toll-free)

<http://www.casdu.com>

(Click on "Set up your account")

casdu-electronichelpdesk@firstdatacorp.com

Florida: Employers in Florida with 10 or more employees or who pay \$30,000 or more in State taxes annually are required to remit their child support payments electronically. Florida offers two web-based payment services:

ExpertPay (free to employers)

1-800-403-0879

customer.service@expertpay.com

<http://www.expertpay.com>

or

<http://www.myfloridacounty.com>

(fee to employers: \$5 per 20 payments)

1-877-326-8689

Email: webmaster@myfloridacounty.com

Illinois: Employers in Illinois with 250 or more employees or fewer than 250 employees but paying on 10 or more orders are required to remit their child support payments electronically. The State offers a web-based payment service for employers: ExpertPay (free to employers)

1-800-403-0879

customer.service@expertpay.com

<http://www.expertpay.com>

Indiana: Employers in Indiana with more than 50 employees and having more than one employee with an income withholding order are required to remit their child support payments electronically. Indiana also has a non-compliance fine of \$25 per employee, per pay period. The State offers a web-based payment service for employers:

In Child Support Payment System

(free to employers)

1-317-232-4893

<http://www.mychildsupport.in.gov>

Massachusetts: Employers in Massachusetts with five or more employees who have child support orders are required to remit their child support payments electronically. Also, employers with a history of irregular or untimely payments or other instances of failure to remit child support payments may be required to remit electronically. The State offers a web-based payment service for employers:

ExpertPay (free to employers)

1-800-403-0879

customer.service@expertpay.com

<http://www.expertpay.com>

Pennsylvania: Employers in Pennsylvania with 15 or more employees and who are paying on two or more orders are required to remit their child support payments electronically. Also, employers with a history of two payments that have been returned for insufficient funds will be required to remit electronically. There is a monetary sanction for failure to comply. Pennsylvania also offers a web-based payment service:

ExpertPay (free to employers):

1-800-403-0879

customer.service@expertpay.com

<http://www.expertpay.com>

For more information on electronic payments in Pennsylvania, call PA-SCDU Customer Service:

1-877-676-9580 or

Email: pa-childsupp-2.fc-sls@acs-inc.com

Coming soon: Oregon will soon require employers to remit their child support payments electronically.

For more information on converting to electronic payments for child support, contact your State Child Support Enforcement agency or Nancy Benner at nancy.benner@acf.hhs.gov or (202) 401-5528.

Visit the Federal Office of Child Support Enforcement's web site at <http://www.acf.hhs.gov/programs/cse/> and click on "Information for Employers." 

New Electronic Filing Requirements for Exempt Organizations

Two new electronic filing requirements for tax-exempt organizations went into effect after December 31, 2006.

First, certain tax-exempt organizations will have a new filing requirement imposed by the Pension Protection Act of 2006. For tax periods beginning after December 31, 2006, tax-exempt organizations whose gross receipts are normally less than \$25,000 must electronically file an annual notice.

The IRS is developing a filing system for the annual electronic notice and will publicize filing procedures upon completion of the filing system. For the latest information about filing the annual electronic notice, you can:

- Sign up for Exempt Organization's *EO Update*, a regular e-mail newsletter that highlights new information posted on the charities pages of irs.gov. To

subscribe go to <http://www.irs.gov/charities/content/0,,id=154838,00.html>.

- Check our web site at <http://www.irs.gov/eo>.

Second, some tax-exempt organizations will be required to electronically file their Forms 990. For tax years ending on or after December 31, 2006, tax-exempt organizations will be required to e-file if they have \$10 million or more in total assets and file 250 or more returns a year. In addition, private foundations and charitable trusts will be required to e-file Forms 990-PF regardless of their asset size, if they file at least 250 returns.

More information about e-filing for charities and non-profits, including the list of approved e-file providers, is available at the Charities & Non-Profits page on the IRS Web site at <http://www.irs.gov/efile/article/0,,id=108211,00.html>. 

There's Still Time for Your Employees to 'Free File' Their Taxes

70% of Taxpayers Eligible to Free File

For the fifth straight year, eligible taxpayers can use the Free File site (<http://www.irs.gov/efile/article/0,,id=118986,00.html>) to prepare and electronically file their federal income tax returns without charges. There are no hidden fees. This system was developed by the Internal Revenue Service (IRS) in partnership with the Free File Alliance LLC, a group of industry leading private-sector tax preparation companies.

Free File is available to anyone who earns \$52,000 a year or less. That's 70 percent of all taxpayers, approximately 95 million Americans. Even if employees do not qualify for Free File, they should be aware of its benefits. Many have friends and family members who may be able to use the program, including children who have recently entered the workforce, or retirees.

For those who are not required to file a tax return, Free File can be used to receive their Telephone Excise Tax Refund that's being offered in 2007.

Fewer Errors, Faster Refunds

Free File is a fast, easy and safe-to-use process. The benefits of using Free File are identical to those of e-filing, which include:

- Reduced tax return preparation time
- Faster refunds since federal tax returns are prepared and submitted electronically
- More accurate return, thanks to the functions built into the software itself

- Acknowledgement of return receipt
- Free File software includes the latest information on tax breaks
- Available 24 hours a day, seven days a week, in both English and Spanish
- State tax return preparation and e-filing at no charge in some cases

To use Free File, employees must first go to the IRS web site, <http://www.irs.gov>, click on "Free File", then press the "Start Now" button and choose a tax preparation company from the list provided. (Free File is not available by going directly to a company's web site.) Not all companies offer services to everyone. Filers should be sure to read the offer description to find which company best their individual needs.

Free File also has a "Guide Me to a Company" feature that will assist taxpayers in selecting a company that offers services tailored to their particular situation. Once a company is selected, users click on the link to that company's web site and begin preparing their return.

Some Free File Alliance companies offer other free tax preparation and e-filing services. For example, they may offer free preparation and e-filing services for taxpayers who want to apply for an Extension of their Individual Income Tax Return.

In sum, Free File will save your employees time and money, as well as expedite their refunds. 

SSA/IRS

Reporter

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SSA.IRS.REPORTER@irs.gov

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CHANGE OF ADDRESS? OUT OF BUSINESS?

Notify the IRS. Submit Change of Address Form 8822 available at <http://www.irs.gov/pub/irs-pdf/f8822.pdf> 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
MS:6273

Ogden, UT 84207

Attn: BMF Entity Control Unit

Outside US:

Philadelphia IRS Center
Philadelphia, PA 19255

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IRS and SSA "Help" Telephone Numbers and Web Addresses Now on IRS.gov

IRS and SSA "Help" telephone numbers and Web addresses are now posted on IRS.gov at <http://www.irs.gov/businesses/small/article/0,,id=109886,00.html>.

TEST YOUR KNOWLEDGE

Maintaining Controls over Payroll

Situation: Hickory Company had just completed its third year of operation and now employed a staff of ten employees. When it began business, Hickory's owner, Jesse, made the tax deposits and filed the employment tax returns with the help of Glen, a key assistant. As the firm grew busier, however, these duties were gradually turned over to Glen—as far as Jesse was concerned, this part of the business was taken care of and attention could be focused on other matters (Jesse continued to review and sign the tax returns, though).

One week, while Glen was away from the office, Jesse happened to glance at the incoming mail and noticed a letter inquiring about missing employment tax returns. This was unexpected news as Jesse recalled reviewing and signing these returns when they were due.

On further investigation, Jesse found that the employment tax deposits had stopped sometime in the prior year. Glen had been diverting the funds to a personal account and had stopped filing the employment tax returns as well (apparently the returns Jesse approved and signed were never sent in). Hickory Company was now faced with the prospect of unpaid delinquent tax returns.

Question: What measures (internal controls) might have helped with Hickory's situation?

Answer: Internal controls are part of a system of "checks and balances" designed to safeguard business assets and promote compliance with company policies. Two of these controls, 1) the **separation of duties**, and 2) **bank reconciliations**, might have made Glen's misappropriation more difficult to accomplish or might have alerted Jesse earlier to the missing deposits.

The **separation of duties**, i.e. having one person responsible for filing employment tax returns and another responsible for making tax deposits, may make it more difficult for any one employee to gain unrestricted access (and possibly misuse) the payroll process. (Having another person open incoming mail may also provide further control.)

Periodic **bank reconciliations** are also an established internal control practice: in this

procedure, comparisons are made of the bank statement account balances to the cash balances recorded in the company's books and records. Differences among the balances are traced to underlying transactions such as outstanding checks and deposits; these comparisons may help a business find errors in the books or accounting records.

As part of these reconciliations, an employer should also take steps to confirm that employment tax deposits have been made; if done using the Electronic Federal Tax Payment System (EFTPS), federal tax deposits can be viewed for up to a 16 month period. EFTPS provides businesses a secure and accurate way to make timely deposits of federal taxes online or by telephone; further information is available at <http://www.eftps.com> (click on the Help & Information tab).

Whether a company's payroll is done "in-house" or through an outside provider, the employer has the ultimate responsibility for the timely and accurate filing of employment tax returns and the depositing of employment taxes. While no procedure is failsafe, the proper application of internal controls may help in meeting this responsibility.

Resources for Additional Information:

Section 11 (Depositing Taxes), Publication 15, (Circular E), Employer's Tax Guide
<http://www.irs.gov/pub/irs-pdf/p15.pdf>

Further discussion available at Small Business Resources at <http://www.irs.gov/businesses/small/content/0,,id=98864,00.html>. Click on the link to FirstGov, <http://www.usa.gov> and enter the search term Internal Controls. 

Telephone Excise Tax Refund Available to Tax Exempts, Businesses and Individuals on 2006 Returns

Tax-exempt organizations, businesses and individuals who paid federal excise taxes on long-distance and bundled telephone service billed after Feb. 28, 2003 and before Aug. 1, 2006, may request a refund of these taxes.

The Telephone Excise Tax Refund (TETR) is a one-time payment available on your 2006 federal income tax return.

Businesses and tax-exempts can use their old phone bills for the 41-month billing period to figure out the actual amount of tax they paid. Or they can review their bills for 2 months and use a special formula at <http://www.irs.gov/newsroom/article/0,,id=164305,00.html> to figure the refund.

Tax-exempt organizations must complete Form

8913, *Credit for Federal Telephone Excise Tax Paid*, and attach the form to Form 990-T to request the refund. Businesses must fill out and attach Form 8913 to the income tax return they normally file: Form 1120, Form 1120S, Form 1065 or Form 1041.

The IRS developed the formula for calculating the refund after receiving public input and discussing the issue with business organizations, the Small Business Administration and the tax-exempt community. Tax-exempt organizations may not use the standard amount available to individuals.

Individual taxpayers have a choice when requesting the refund. Instead of locating as many as 41 months of old phone bills, they can use a standard refund amount based on the total number of exemptions they are eligible to claim on their tax return,

or they can locate those bills and request the actual amount of tax paid.

Visit IRS.gov at <http://www.irs.gov/newsroom/article/0,,id=164032,00.html>, for complete information about the telephone tax refund.

Related Items:

■ Telephone Tax Refunds: Questions and Answers for Businesses and Tax-Exempt Organizations (<http://www.irs.gov/newsroom/article/0,,id=164310,00.html>)

■ IRS Announces Standard Amounts for Telephone Tax Refunds (<http://www.irs.gov/newsroom/article/0,,id=161504,00.html>)

■ Government to Stop Collecting Long-Distance (<http://www.irs.gov/newsroom/article/0,,id=157706,00.html>)

FREE IRS Newsletter for Businesses and Employers Now Available

The IRS has started a FREE news service, e-News for Small Businesses. It is distributed every Wednesday and will bring timely, useful tax information right to your computer, including, but not limited to:

- Important upcoming tax dates
- What's new on the IRS Web site
- Reminders and tips to assist businesses with tax compliance
- IRS news releases and special IRS announcements

e-News' convenient format will put IRS tax information at your fingertips. At the top of the left hand margin will be "Useful Links" that will bring you quickly to some of the most useful information on IRS.gov for small businesses and the self-employed.

To start your FREE subscription to e-News, just go to IRS.gov at <http://www.irs.gov/businesses/small/content/0,,id=154826,00.html>, type in your e-mail address and submit. 

Attributed Tip Income Program (ATIP)

Employers in the food and beverage industry should be aware of the Attributed Tip Income Program. ATIP provides benefits to employers and employees similar to those offered under previous tip reporting agreements without requiring one-on-one meetings with IRS to determine tip rates or eligibility.

Employers and employees do not have to sign any contracts or agreements - making this program attractive to small employers. Also, in addition to reducing record-keeping burdens, ATIP carries safe-harbor protections for participating employers. This means the IRS will not initiate a tip examination of a participating establishment or participating employee as long as the establishment meets its ATIP requirements.

If you own a food or beverage establishment, review the specific requirements in Revenue Procedure 2006-30 at http://www.irs.gov/irb/2006-31_IRB/ar11.html to decide if an ATIP agreement is right for you. Employers can elect to enroll in ATIP by checking a box on the Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips.

Related links:

ATIP press release (<http://www.irs.gov/newsroom/article/0,,id=160536,00.html>)

Market Segment Understanding Web site

(<http://www.irs.gov/businesses/small/article/0,,id=98944,00.html>)

Form 8027 (<http://www.irs.gov/pub/irs-pdf/f8027.pdf>)

and Instructions for Form 8027 (<http://www.irs.gov/pub/irs-pdf/i8027.pdf>) 

Health Insurance Covering S Corporation Shareholders

In many solely-owned businesses, the owner of the business will purchase health insurance in his or her own name versus the name of the business. The type of entity may greatly affect where this insurance premium expense may be deducted on the individual's personal income tax return. For more information, go to: <http://www.irs.gov/businesses/small/article/0,,id=157049,00.html>. 

IRS Resources for Businesses like Yours

IRS Small Business Workshops are designed to help the small business owner understand and fulfill their Federal Tax responsibilities. Workshop topics vary from a general overview of taxes to more specific topics such as recordkeeping and retirement plans. Although most are free, some workshops have fees associated with them. For a schedule of small business workshops in your area, go to: <http://www.irs.gov/businesses/small/article/0,,id=99202,00.html>.

If you are unable to attend a workshop, the **IRS Virtual Small Business Workshop** is available on DVD (Pub. 1066C) and online in streaming video. Visit the Small Business Self-Employed online classroom at <http://www.irs.gov/businesses/small/article/0,,id=97726,00.html> to access the Virtual Small Business Tax Workshop.

Two other handy IRS resources are the **2007 Small Business Resource Guide (SBRG) CD-ROM** (Pub 3207) and **2007 Tax Calendar for Small Businesses and Self-Employed** (Pub 1518). Both cover a wide range of topics, from starting a business to retirement plan options.

The interactive SBRG CD is designed to equip small business owners with the skills and knowledge needed to successfully manage a business. It covers a wide range of topics, from starting a business to retirement plan options.

The 2007 Tax Calendar provides the small business owner with a ready resource for meeting their tax obligations. The 12-month wall calendar is filled with useful information on general business taxes, electronic filing and paying options, retirement plans, business publications and forms, and common tax filing dates.

To order a copy of the DVD, resource guide, or calendar, visit the Small Business Products Online Ordering page at <http://www.irs.gov/businesses/small/article/0,,id=101169,00.html> or order through the IRS distribution center by calling (800) 829-3676. 

Here's a benefit that can make your employees smile:

FREE FILE AT IRS.GOV

Qualified employees can prepare and file their 2006 Federal tax returns for FREE electronically.

Tell your employees to visit www.irs.gov and click on FREE FILE to learn about benefits including:

- Faster refunds — in as little as 10 days with Direct Deposit
- Improved accuracy
- Secure
- No software to buy or download
- Available 24 hours a day/7 days a week

FREE FILE is available to any taxpayer who earns \$52,000 per year or less.

freefile
Take the free way.

Tax filing made fast, free and easy.

Tell your employees to visit www.irs.gov and click on FREE FILE to see if they qualify.

Social Security Administration

Internal Revenue Service

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Internal Revenue Service

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Reporter

Fall 2007

A Newsletter
for Employers

Federal Minimum Wage Increases

On May 25, President Bush signed the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act of 2007, which amended the Fair Labor Standards Act (FLSA) to increase the federal minimum wage.

Effective July 24, 2007, the federal minimum wage for covered, non-exempt employees increased to \$5.85 per hour. The minimum wage increases to \$6.55 per hour effective July 24, 2008; and \$7.25 per hour effective July 24, 2009.

A separate provision of the bill brings about phased increases to the minimum wage in American Samoa and the Commonwealth of the Northern Mariana Islands, with the

goal of bringing the minimum wage in those locations up to the general federal minimum wage over a number of years.

Many states also have minimum wage laws. Covered employers must comply with both.

Other Provisions

The *tip credit provisions* of the FLSA remain the same. An employer is still only required to pay \$2.13 an hour in direct wages if that amount plus the tips received equals at least the Federal minimum wage, provided the employer has informed the employee of the tip credit being taken, the employee retains all tips except to the extent they participate

continued on page 2

Closing the Tax Gap—A Priority for All

The mission of the IRS has always been challenging. But the greatest challenge of the 21st century is the need to close the federal tax gap.

The tax gap is the difference between the amount of tax that taxpayers should pay for a given year and the amount that is paid voluntarily and timely.

How big is the tax gap? The latest analysis of the IRS's National Research Program (NRP) Individual Reporting Compliance Study places the gap at an estimated \$345 billion for tax year 2001, a non-compliance rate of 16.3%. Eight percent is attributed to non-filing, 10 percent to underpayment with timely filed returns, and 82 percent to underreporting.

Looking closely at the underreporting figure the IRS found that:

- \$197 billion, or about 57 percent of the total tax gap, comes from individual income tax underreporting.

- Well over half of that amount – \$109 billion – is from understated net business income, including unreported business receipts and overstated business expenses.

- Underreported non-business income, including tips and capital gains, accounts for around 28 percent, or \$56 billion.

- The remaining \$32 billion is from overstated subtractions from income and credits.

Aside from the fact that these funds could greatly reduce the federal deficit, the tax gap places an unfair burden on people who comply with the law and pay their fair share. Businesses that don't pay all of their taxes may also enjoy an unfair advantage over their competitors.

The IRS is committed to finding ways to reduce the tax gap. The IRS realizes that there is no single solution to the problem. An effective approach to reducing the tax gap must include education and assistance as well as compliance activity;

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Employer Responsibilities When Hiring Foreign Workers

The Social Security Administration (SSA) has taken extra steps to ensure the integrity of Social Security numbers. The changes to the way Social Security assigns numbers and issues cards may cause a delay of several weeks or months in receiving a number.

This Q & A addresses employer responsibilities when hiring foreign workers (e.g., students or cultural exchange visitors) who are legally allowed to work in the United States and who have applied for and are waiting to receive a Social Security number and card. Note that the employee may work while the Social Security number application is being processed.

1. What causes delays when foreign workers apply for Social Security numbers?

When foreign workers apply for Social Security numbers, SSA verifies their documents directly with the Department of Homeland Security (DHS) via E-Verify (see box below). Most applications are verified immediately, but there can be delays. Social Security understands that this process may affect companies who hire foreign workers, but direct verification from DHS is vital to ensuring the integrity of the Social Security number.

2. What are an employer's responsibilities when hiring foreign workers who don't have Social Security numbers?

Advise workers that they are required to apply for a Social Security number and card. If a worker applied for but has not yet received a Social Security number, you should get the following information as complete as possible: The worker's full name, address, date of birth, place of birth, father's full name, mother's full maiden name, gender and the date he or she applied for a Social Security number.

3. What if the worker doesn't have a Social Security number when wage reports (Forms W-2) are due to Social Security?

- **Electronic Filers:** If the worker applied for a card but didn't receive the number in time for filing, enter all zeros in the field for the Social Security number.
- **Paper Filers:** If the worker applied for a card but didn't receive the number in time for filing, enter "Applied For" in Box a.

Remember to instruct the worker to tell you the number and the exact name printed on the card, when it is received.

4. My foreign worker received his or her Social Security number after I filed my wage report. What do I do?

When you receive the worker's Social Security number, file Form W-2c (*Corrected Wage and Tax Statement*), to show the worker's number. Go to <http://www.socialsecurity.gov/employer/pub.htm> for instructions on filing W-2c's.

Related Links:

- **Businesses with Employees** <http://www.irs.gov/businesses/small/article/0%2C%2Cid=98862%2C00.html>
- **Household Employees** <http://www.irs.gov/businesses/small/article/0%2C%2Cid=97877%2C00.html>
- **Publication 505, Tax Withholding and Estimating Tax** <http://www.irs.gov/publications/p505/index.html>
- **Hiring Employees** <http://www.irs.gov/businesses/small/article/0%2C%2Cid=98164%2C00.html>

E-Verify from Department of Homeland Security Helps Employers Meet Their Form I-9 Compliance Responsibilities

E-Verify is a free government service to verify, via the Internet, the employment eligibility status of newly-hired employees. E-Verify (formerly known as the Basic Pilot/Employment Eligibility Verification Program) is administered by the U.S. Department of Homeland Security (DHS) in partnership with the Social Security Administration (SSA). The goals of E-Verify are to reduce unauthorized employment, minimize verification-related discrimination, be quick and non-burdensome to employers, and protect the privacy and civil liberties of employees. For more information visit <https://www.vis-dhs.com/employerregistration>.

SSA

Federal Minimum Wage Increases

continued from page 1

in a valid tip pooling arrangement, and the employee customarily and regularly receives more than \$30 a month in tips.

The youth minimum wage also remains the same. Employees under 20 years of age may be paid \$4.25 per hour during their first 90 consecutive calendar days of employment with an employer.

Every employer of employees subject to the FLSA's minimum wage provisions must post, and keep posted, a notice explaining the Act in a conspicuous place in all of their establishments so as to permit employees to readily read it.

Required posters and other compliance assistance materials concerning the minimum wage increase are available from the Department of Labor's Wage and Hour Division Web site at <http://www.wagehour.dol.gov>. Information is also available by calling the U.S. Department of Labor's toll-free help line at 1-866-4US-WAGE (487-9243). [DOL](#)

The Tax Gap continued from page 1

Taxpayer Outreach: The IRS has created a Tax Gap page on IRS.gov (<http://www.irs.gov/newsroom/article/0%2C%2Cid=158619%2C00.html>, or search "tax gap" from the home page). Included are links to news releases and other information about the tax gap, including a series of fact sheets providing guidance in issues that have been identified as areas of high noncompliance through analysis of NRP data.

Examination: the IRS has used NRP data to revamp its audit selection formulas and has consistently increased audit coverage rates.

Information Matching: The IRS has greatly improved its processes for matching information from 1099s and K-1s with the returns where the income should be reported.

Collection: Collecting unpaid taxes and unfiled returns will continue to be an important tool.

Legislative Recommendations: The IRS and Department of the Treasury have endorsed numerous legislative proposals to help address the gap including increased information reporting and stronger penalties.

Partnerships: Finally, the IRS is asking tax professional organizations, industry groups, states, and other government agencies to partner in outreach efforts and other activities.

Closing the tax gap will not be accomplished quickly or easily, but with a concerted effort from all Americans the integrity and fairness of the tax system can be strengthened and enhanced. [IRS](#)

EO Update

Coming in October, Workshops for Small & Mid-Sized Exempt Organizations

IRS will once again offer its very popular one-day workshops for small and mid-sized tax-exempt organizations beginning in October 2007.

The workshops, presented by experienced Exempt Organizations Specialists, are designed to help 501(c)(3) organization administrators, staff, volunteers, or practitioners involved with tax-exempt organizations understand the rules they must follow to keep their tax-exempt status, and comply with their tax obligations. Workshop topics include:

- Maintaining your tax-exempt status
- Understanding unrelated business income employment issues
- Recordkeeping and required disclosures, including an overview of the Form 990, *Return of Organization Exempt from Income Tax*.

Locations and dates for the Workshops are published on the "Calendar of Events" page on the IRS Web site at <http://www.irs.gov/charities/article/0%2C%2Cid=96083%2C00.html>. Pre-registration is required at a cost of \$45. **IRS**

Small Exempt Organizations and E-Filers, You've Got Mail!

The IRS will be sending letters, beginning in late summer 2007, to all small tax-exempt organizations (whose gross receipts are normally \$25,000 or less) reminding them of their new requirement to electronically file Form 990-N, *Electronic Notice (e-Postcard) for Tax-Exempt Organizations not Required To File Form 990 or 990-EZ* beginning in January 2008 (<http://www.irs.gov/charities/article/0%2C%2Cid=169250%2C00.html>).

In addition to the letters being sent to all identified small exempt organizations, letters will also be mailed to parent organizations of controlled groups, to assist them in understanding the requirements of their small subordinate organizations.

IRS is also sending letters to large tax-exempt organizations who are required to electronically file because their total assets are \$10 million or more and they file 250 returns in a calendar year, to remind of the requirement to e-file.

To stay up to date on the latest EO news, subscribe to the *EO Update*, a regular e-mail newsletter that highlights new information posted on the charities pages of the IRS Internet site at <http://www.irs.gov/charities/content/0%2C%2Cid=154838%2C00.html>. **IRS**

DOL Introduces New Tool for Calculating Overtime Pay

The U.S. Department of Labor (DOL) has released its latest **elaws Advisor — the FLSA (Fair Labor Standards Act) Overtime Calculator** — to help employers and workers understand and calculate overtime pay.

This new Advisor computes the amount of overtime pay due in a sample pay period based on information from the user. The Overtime Calculator gathers input from users about certain factors used in determining overtime, including the primary method of paying workers, any additional compensation such as bonuses, commissions, and shift differentials, and information pertaining to hours worked.

The Calculator then totals up straight-time and overtime hours worked during a sample pay period and — based on the user's inputs — calculates the overtime pay required. A key feature demonstrates how the calculations were made. (The Calculator does not attempt to calculate overtime in all situations and actual pay period earnings may differ from the results provided by the Overtime Calculator.)

The Overtime Calculator Advisor is the latest addition to the FLSA Suite. DOL's elaws (Employment Laws Assistance for Workers and Small Businesses) Advisors (<http://www.dol.gov/elaws>) are designed to help employees and employers understand their rights and responsibilities using a question-and-answer process that simulates a conversation with a DOL employment law expert by explaining the requirements clearly and in plain English.

The Advisors are easy to use, always accessible and free. In addition to the Overtime Calculator, the FLSA Suite of Advisors includes:

- The *Coverage and Employment Status Advisor* (<http://www.dol.gov/elaws/esa/flsa/scope/screen9.asp>) helps identify which workers are employees covered by the FLSA;
- The *Hours Worked Advisor* (<http://www.dol.gov/elaws/esa/flsa/hoursworked/default.asp>) provides information to determine which hours spent in work-related activities are

considered FLSA "hours worked," and therefore, must be paid;

- The *Overtime Security Advisor* (<http://www.dol.gov/elaws/overtime.htm>) helps determine which employees are exempt from the FLSA minimum wage and overtime pay requirements under the Part 541 overtime regulations;
- The *Child Labor Rules Advisor* (<http://www.dol.gov/elaws/esa/flsa/cl/default.htm>) answers questions about the FLSA's youth employment provisions, including at what age young people can work and the jobs they can perform; and
- The *Section 14(c) Advisor* (<http://www.dol.gov/elaws/esa/flsa/14c>) helps users understand the special minimum wage requirements for workers with disabilities.

The Department also offers other elaws Advisors covering a wide range of federal employment laws such as the Family and Medical Leave Act and the Uniformed Services Employment and Reemployment Rights Act. To view the Advisors, visit <http://www.dol.gov/elaws>. **DOL**



FREE Timely Tax News—

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Subscribe to e-News for Small Businesses

The IRS's new service, *e-News for Small Businesses*, is distributed every Wednesday. *e-News* brings timely, useful tax information right to your computer. To start your FREE subscription to *e-News*, just go to [IRS.gov](http://www.irs.gov/businesses/small/content/0%2C%2Cid=154826%2C00.html) at <http://www.irs.gov/businesses/small/content/0%2C%2Cid=154826%2C00.html>, type in your e-mail address and "submit."

Recommend Electronic IRS for Your Employees' Tax Needs

With the official start of the 2007 tax filing season just around the corner, it's not too early to share with your employees all the resources Electronic IRS has to offer that can assist them with their tax filing needs. Created as part of the overall goal to make the Internal Revenue Service more accessible to taxpayers, Electronic IRS is where employees can find information on filing their tax returns electronically and some may be able to file free through Free File.

IRS-*e-file* is an easy and accurate way to submit tax returns to the IRS, without the hassles of filling out forms. With *e-file*, taxpayers are given the flexibility to electronically file their returns through either a tax professional or on their own, using tax preparation software and an Internet connection on their personal computer. *e-file* comes with many benefits, including:

- **A faster refund:** Taxpayers who file electronically receive refunds in half the time than when filing by paper. Taxpayers can expect to receive refunds in as little as 10 days with Direct Deposit.
- **Convenience:** Taxpayers can e-file at their convenience. *e-file* is available 24 hours a day, 7 days a week.
- **e-file now/Pay later!:** Taxpayers who file electronically can simultaneously e-file and e-pay for a future date in a single step by authorizing an electronic funds withdrawal or paying by credit card. To avoid penalties, be sure to pay on or before April 15, 2008.

- **One-stop filing:** Most taxpayers can e-file both their federal and state tax returns at the same time.

Most importantly, e-file is safe. In its 20 year existence, more than half a billion individual tax returns have been received by the IRS.

Free File

As an added bonus, employees may qualify to e-file their federal tax returns for FREE. If they make \$54,000 or less in 2007, they can electronically file their federal tax return using Free File (<http://www.irs.gov/efile/article/0%2C%2Cid=118986%2C00.html>), an online tax preparation program offered by the IRS and 20 industry-leading tax preparation companies.

Free File offers the same benefits as *e-file*, and 70% of taxpayers qualify to use it. Like *e-file*, Free File is available 24 hours a day, 7 days a week, but, can only be accessed by going to <http://www.IRS.gov> and clicking on Free File.

The IRS has set its priorities to make itself more accessible by increasing the number of electronic options available to its customers. Electronic IRS offers a host of different options, making it an incredibly valuable resource for tax information.

IRS

DOJ's Business Connection Initiative Helps Businesses Understand ADA

There are more than 50 million Americans with disabilities. This year marks the fifth anniversary of the Department of Justice's *ADA (Americans With Disabilities Act) Business Connection* initiative. This initiative provides publications and online tools specifically designed to help businesses understand the ADA and brings together local business and disability leaders to discuss the growing market of customers with disabilities.

The *ADA Business Connection Web site* (<http://www.ada.gov/business.htm>) offers:

- An interactive online course explaining the ADA and how it applies to businesses in ten easy lessons;
- A short video providing practical information and dispelling common misunderstandings that small businesses have about the ADA;
- A series of "Business Briefs" addressing discrete ADA issues of interest to businesses;
- Publications covering a wider range of ADA topics;
- A checklist and a small business guide for identifying and removing accessibility barriers at business sites;
- Information about tax incentives to help businesses cover the costs of complying with the ADA; and
- A series called "Expanding Your Market" explaining the benefits of attracting customers with disabilities.

For specific questions, contact the ADA Information Line at:

- 800-514-0301 (voice)
- 800-514-0383 (TTY) 

IRS News

IRS Links for Small Businesses Added to SSA/IRS Reporter Web Site IRS.gov links to IRS resources on Employment Tax & Worker Classification, Forms and Publications, and other Small Business Resources have been added to <http://www.irs.gov/businesses/small/article/0%2C%2Cid=109886%2C00.html>. Look under "Additional Resources" at the bottom of the page.

Dial-up EFTPS Support Ends This Year All Electronic Federal Tax Payment System (EFTPS) users currently using the old EFTPS dial-up software must convert to an enhanced version of the free software by October 31, 2007.

The original EFTPS dial-up software issued prior to 2006 will no longer be supported after that date. The enhanced Batch Provider Software and a Quick Start Guide are available for download at [Welcome to EFTPS Online](http://www.eftps.gov/) <https://www.eftps.gov/eftps>. Select "Help & Information" and then "Download" to choose the product to download. 

SSA/IRS

Reporter

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SSA.IRS.REPORTER@irs.gov

Fax: 410-962-2572

CHANGE OF ADDRESS? OUT OF BUSINESS?

Notify the IRS. Submit Change of Address Form 8822 available at <http://www.irs.gov/pub/irs-pdf/f8822.pdf> 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
MS:6273

Ogden, UT 84207

Attn: BMF Entity Control Unit

Outside US:

Philadelphia IRS Center
Philadelphia, PA 19255

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IRS and SSA "Help" Phone Numbers and Web Addresses Now on IRS.gov

IRS and SSA "Help" telephone numbers and Web addresses are now posted on IRS.gov at <http://www.irs.gov/businesses/small/article/0%2C%2Cid=109886,00.html>.

An APA “Best Practice” to Control Your Payroll



An APA “best practice” to ensure that your payroll will go as expected is to create a Control Matrix – a chart that reviews each type of earning or deduction against a number of variables.

In the first column of the matrix (see sample below), list the earnings and deductions that you use in your payroll. Across the top of the matrix, each column (other than the first one) should be headed with one of the questions below.

Frequency

1. Is the earning or deduction a one-time event (e.g. bonus pay), or will it be recurring until it is turned off (e.g. salary)?
2. If recurring, in which pay periods should it be paid or deducted? For example, a monthly union dues payment may be divided in two, but it will need to be deactivated if there is a third pay day in a month (biweekly frequency).

Tax

3. Which taxable gross accumulators should be affected by the earning or deduction? That is, does each earning add to the accumulator and do any deductions subtract from the accumulator (pre-tax deductions)? You may want a separate column for each of the following:

- federal income tax
- social security
- Medicare
- federal unemployment tax
- state income tax
- local income tax
- state unemployment tax

4. If an earning adds to a taxable gross accumulator, is it subject to withholding for that tax?

5. If it is subject to withholding, will you use regular or supplemental wage withholding? (See IRS Publication 15 for more information on this topic.)

Accounting

6. Does the earning or deduction add to or subtract from the amount of the paycheck? It wouldn't if it is imputed income – an amount placed on the pay stub to account for a non-cash benefit so that taxes can be calculated and withheld. If your payroll system can't add something for tax calculations without also adding it to the amount of the paycheck, then you can add it to the paycheck and then take it away as a deduction.

7. Does the earning or deduction impact your general ledger or your accounting system? Again, it might not if it is an imputed income item. For example, if an employee won a gift certificate, that would be an imputed income item, but the expense might have been recorded in the general ledger when your organization purchased the gift certificate.

8. If the earning or deduction does impact the general ledger, which account number is affected?

9. Is the earning or deduction subject to month end accrual? For example, if your employees are paid on a biweekly frequency, but you have a monthly accounting period, you may need to estimate and record an expense for the payroll that will be paid for the days between the end of the last pay period and the end of the monthly accounting period. Accruals generally self-reverse in the following accounting period. Not all earnings and deductions are considered to be regularly-occurring enough to be subject to month-end accrual.

10. Is it subject to benefit accrual? Some organizations distribute and record the expense for employer-paid taxes, workers' compensation insurance, and health/welfare programs by determining the percentage that each of those benefits bears to total earnings (or perhaps just certain earning types) and then recording the expense of benefits as a percentage of the earnings each time payroll is issued.

Editor's Note: The American Payroll Association's strong partnership with the IRS and SSA allows it to prepare its publications and classes, such as Preparing for Year-End and 2007, with the most accurate and up-to-date information to educate employers. More information about the APA is available at <http://www.americanpayroll.org>. **APA**

APA Seminar Addresses Compliance Issues of Year-End Payroll Processing

The American Payroll Association's *Preparing for Year-End and 2008* brings you updates on the latest changes in legislation and regulations that affect the close of 2007 and the beginning of 2008.

Topics include a calendar of year-end tasks, fringe benefit taxation and reporting, year-end forms, implementing new payroll laws and regulations, and annually announced values (pension plan limits, mileage rates, etc.). Most of the one-day classes also include a presentation by IRS and SSA.

Classes will be taught at locations around the country and will also be offered as a series of Web casts over the Internet. For more information, visit the APA Web site at <http://www.americanpayroll.org/yearend.html>.

Sample Payroll Control Matrix									
	Recurring?	Pay Periods	Taxable?	Withholding Federal/ State	Withholding Social Security/ Medicare	Adds to Paycheck Gross	General Ledger	Month-End Accrual	Benefit Accrual
Earnings									
Hourly	No		Yes	Yes	Yes	Yes	Wage Expense	Yes	Yes
Salary	Yes	All	Yes	Yes	Yes	Yes	Wage Expense	Yes	Yes
Overtime	No		Yes	Yes	Yes	Yes	Wage Expense	Yes	Yes
Vacation	No		Yes	Yes	Yes	Yes	Wage Expense	Yes	Yes
Bonus	No		Yes	Yes—Supplemental	Yes	Yes	Wage Expense	No	No
Company Car	Yes	All	Yes	No*	Yes	No	N/A	Yes	Yes
Deductions									
Health Insurance	Yes	1st two of month	Pre-tax				Accounts Payable	No	
Union Dues	Yes	1st two of month	N/A				Accounts Payable	No	

* An employer may elect to not withhold income tax on an employee's personal use of a company car. See IRS Publication 15-B.

Social Security News and Announcements

Attention Software Developers – SSNVS Changes

In August 2007, Social Security implemented changes to the Social Security Number Verification Service (SSNVS). Software developers should visit <http://www.socialsecurity.gov/employer> for more detailed information.

Tax Year 2007 Changes to the EFW2 & EFW2C

Record Changes for the EFW2 (formerly MMREF-1)

- A new **optional** Code RV State Total Record has been added.
- A new field, Software Vendor Code, has been added to the Code RA Record (positions 20-23).
- The Civil Status field has been removed in the Code RO Record (position 265) and has been replaced with a blank field.

Record Changes for EFW2C (formerly MMREF-2)

- A new optional Code RCV State Total Record has been added.
- A new field, Software Vendor Code, has been added to the Code RCA Record (positions 21-24).

MMREF is Now the EFW2

Social Security has changed the name of publications *Magnetic Media Reporting and Electronic Filing of W-2 Information (MMREF-1)*, and *Magnetic Media Reporting and Electronic Filing of W-2c Information (Correction of W2 Information) (MMREF-2)* to *Specifications for Filing Forms W-2 Electronically (EFW2)*, and *Specifications for Filing Forms W-2c Electronically (EFW2C) – Correction of W-2 Information*, respectively. EFW2 and EFW2C can be downloaded at <http://www.socialsecurity.gov/employer/pub.htm>.

Social Security PIN Reminders

NEW In October 2007, the term PIN in the BSO suite of services will be changed to "User ID." During the transition period, there will be reference to both PIN and User ID (PIN/User ID). If you already have a PIN, you will not need to register for a User ID, they are equivalent.

REMINDER You can register for a PIN/User ID, Password and user roles at any time during the year.

- If you are registering for a PIN/User ID for an "S" corporation and you receive a Form W-2, you will need to register as an employee. If you don't receive a Form W-2, you will need to register as self-employed.

■ It is important to make sure that employees no longer authorized to use BSO do not have an active PIN/User ID. There are two ways to deactivate a PIN/User ID:

1. Online: go to <http://www.socialsecurity.gov/bsowelcome.htm> and login to remove access to BSO. Note: You can remove only those Service(s) to which you have access. If you remove access to any service(s) in error, you will need to re-request access on the Request Access to BSO Services page.

2. Phone: call our toll-free number at 1-800-772-6270 between 7:00 a.m. and 7:00 p.m., Eastern Standard Time, Monday through Friday.

■ You should deactivate a PIN/User ID by phone if an employee leaves the company. Remember, the PIN/User ID belongs to the company, not the employee.

■ You should deactivate a PIN/User ID by phone if an employee no longer requires a service(s) in BSO.

■ You may deactivate some or all access to BSO.

Update Your Payroll Records

If an employee's name has changed, you should continue to use the old name until the employee contacts Social Security to obtain an updated Social Security card. Use the Social Security Number Verification Service (SSNVS) to verify that the name has been changed on Social Security's records.

Using the employee's new name before it is updated on Social Security's records may prevent the posting of earnings. You can use SSNVS to verify all employees' names and Social Security numbers. For more information, visit <http://www.socialsecurity.gov/employer/ssnv.htm>.

Did You Give SSA Your Correct Address?

Every year employers accidentally put SSA's mailing address in the ERA or RE records of the EFW2 (formerly MMREF). Please remember to use your address. This will help us if we need to contact you.

Subscribe to *W2 News Today*—Social Security's Electronic Newsletter for Employers

If you submit W-2s to Social Security, this newsletter is for you. With your subscription, you determine when to receive email updates, you can select other electronic Social Security newsletters, and you can also password protect your subscriber profile. Sign up today at: <http://www.ssa.gov/employer/w2news> 

Social Security Administration

Internal Revenue Service

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Reporter

Winter 2007

A Newsletter
for Employers

New Online Employer Identification Number Application Processes Requests in Minutes

Taxpayers can now request an Employer Identification Number (EIN) through a Web-based system that instantly processes requests and generates identification numbers in real time. This new and improved online application at <http://www.irs.gov/businesses/small/article/0%2C%2Cid=102767%2C00.html> will reduce the time it takes taxpayers to get an EIN. Essentially they can get one while they wait—within minutes.

How It Works

A taxpayer accesses the Internet EIN system through IRS.gov and enters the required information. If the information passes the validity checks, the IRS issues a permanent EIN to the taxpayer. If the information does not pass the validity checks, it is rejected. The taxpayer then has an opportunity to correct the information and resubmit the application. The Internet EIN application at

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Small Employers: Look for Form 944 Notices in February

If you are an employer whose annual employment tax liability is \$1,000 or less, watch your mail for a notice from the IRS in early February advising you to file Form 944, *Employer's Annual Federal Tax Return*, for Tax Year 2008.

Form 944 Saves Time

The notices will alert newly eligible businesses to begin filing Form 944, *Employer's Annual Federal Tax Return*, for Tax Year 2008. Form 944 makes filing easier and saves time for the many small businesses

that are eligible to file employment tax returns once a year instead of quarterly.

Like most tax forms, Form 944 can be e-filed, and most employers can make a single payment with the return, unless their businesses grow and they are required to make federal tax deposits.

Because the IRS has changed the filing requirement for these employers, those who receive Form 944 notices should immediately discontinue filing Form 941, *Employer's Quarterly Federal Tax Return*, in calendar year 2008 and file Form 944

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Social Security Announces 2008 Wage Base Increase

Social Security has announced the increase in 2008 for the maximum amount of earnings subject to the Social Security tax. The Social Security wage base will be \$102,000, up from \$97,500 in 2007. Beginning January 1, 2008, employers should withhold Social Security taxes (6.2 percent) from employees' wages up to \$102,000 and withhold the Medicare tax (1.45 percent) on all wages. Employers must match the Medicare tax payments withheld from employees' wages.

In 2008, employees will earn one Social Security credit for each \$1,050 in earnings, up to a maximum of four credits for the year. Social Security also announced that benefit amounts will increase in 2008 by 2.3 percent.

The full retirement age for people born in 1942 is now 65 years and 10 months. There is no limit on employees earnings beginning with the month they reach full retirement age. When they reach full retirement age, they can work and receive unreduced Social Security retirement benefits.

If your employees are less than full retirement age when they begin to

continued on page 3

Treasury, IRS Release Report on Improving Voluntary Compliance

The Treasury Department and the Internal Revenue Service (IRS) have released an IRS report addressing the agency's implementation of the 2006 strategy to improve voluntary compliance with federal tax laws.

The IRS report, *Reducing the Federal Tax Gap: A Report on Improving Voluntary Compliance* at http://www.irs.gov/pub/irs-news/tax_gap_report_final_080207_linked.pdf, details steps currently being taken by the IRS, as well as those under development, to address key elements of the "tax gap." The report builds on the seven components of the Comprehensive Strategy for Reducing the Tax Gap at http://www.treas.gov/press/releases/reports/otptaxgapstrategy_final.pdf, which the Treasury Department released in September 2006. **IRS**

Related Links:

- **IRS Updates National Research Program for Individuals** <http://www.irs.gov/newsroom/article/0%2C%2Cid=171023%2C00.html>
- **The Tax Gap** <http://www.irs.gov/newsroom/article/0%2C%2Cid=158619%2C00.html>

New Online EIN Requests Processed in Minutes continued from page 1

<http://www.irs.gov/businesses/small/article/0%2C%2Cid=102767%2C00.html> is interactive and asks questions tailored to the type of entity the taxpayer is establishing. This is similar to popular tax processing software packages on the market.

The system provides "help" screens throughout the application process. This means taxpayers will no longer have to print the EIN instructions and separately search for answers while requesting an EIN.

When the EIN application process is complete, a taxpayer has the option to view, print, and save his or her confirmation notice, as opposed to waiting for the IRS to mail it. Third parties authorized by the taxpayer can also be provided with the EIN, but the

third party cannot view, print or save the confirmation notice. Instead, the confirmation notice is mailed to the taxpayer.

An EIN assigned through Internet submission is immediately recognized by IRS systems. Taxpayers can begin using the EIN immediately for most business purposes. **IRS**

Related IRS Links:

- **Publication 1635, EIN**, at <http://www.irs.gov/pub/irs-pdf/p1635.pdf>
- **Employer ID Numbers (EIN)** at <http://www.irs.gov/businesses/small/article/0%2C%2Cid=98350%2C00.html>

Form 944 Notices Coming in February continued from page 1

instead. The due date for 2008 Form 944 returns is February 2, 2009.

It is important that businesses who qualify to file Form 944 file the annual form as expected, to avoid any processing problems. Remember to tell your tax preparer about your new filing requirement and adjust your EFTPS payments accordingly.

However, some small employers may:

- **Exceed the Form 944 threshold.** If you believe your tax liability will exceed \$1,000 (approximately \$4,000 or more in wages) in calendar year 2008, call the IRS before April 1 at the number shown on the notice and ask to remain a Form 941 quarterly filer for 2008; or
- **Prefer e-filing Form 941 quarterly.** If you would rather e-file quarterly Forms 941 than file Form 944 annually, call the IRS before April 1 at the number shown on the notice, ask to remain a Form 941

quarterly filer for 2008, and receive confirmation that the IRS has changed your filing requirement back to Form 941 before you file any more quarterly forms.

The IRS sends the February notices to newly eligible businesses only. Employers already filing Form 944 will not receive notices. If you did not receive a notice but believe you are eligible to file Form 944, or if you have questions, call the IRS' Business and Specialty Help Line at (800) 829-4933. **IRS**

Related Links:

- **Taxpayer Burden Reduction Projects:** <http://www.irs.gov/businesses/small/article/0%2C%2Cid=146223%2C00.html#944>
- **Form 944:** <http://www.irs.gov/pub/irs-pdf/f944.pdf>
- **Form 944 Instructions:** <http://www.irs.gov/pub/irs-pdf/i944.pdf>

IRS Announces Online Fill-in Form 8809, Application for Extension of Time to File Information Returns

If you need to request an extension of time for Forms W-2 series, W-2G, 1042-S, 1098 series, 1099 series, 5498 series or 8027, the IRS encourages you to complete the request online via the FIRE (Filing Information Returns Electronically) system at <http://fire.irs.gov> in lieu of the paper Form 8809. No more filling out paperwork and waiting to receive your approval/denial letter in the mail.

This option becomes available the first week of January 2008 for the current (2007) tax year. There is no limit on how many extensions you can enter; however, you must complete the request by the due date of the return.

Established FIRE Users

If you already have a User ID on FIRE, at the Main Menu click 'Extension of Time Request', click 'Fill-in Extension Form' and follow the menu. An automatic 30-day approval will be displayed online as long as you provide the requested information and submit the request by the due date of the return. You should print the screen for your records.

New Accounts

If you have never established an account on FIRE, click 'Create New Account' on the opening page and it takes about 5-10 minutes to create your User ID, password and PIN. After creating the account, follow the instructions above.

For more information, go to <http://www.irs.gov> and search on 'Tax Topic 803' or refer to Publication 3609 at <http://www.irs.gov/pub/irs-pdf/p3609.pdf>, *Filing Information Returns Electronically (FIRE)* or Part E of Publication 1220 at <http://www.irs.gov/pub/irs-pdf/p1220.pdf>, *Specifications for Filing Forms 1098, 1099, 5498, and W-2G Electronically or Magnetically*. You can also call 1-866-455-7438 if you have additional questions. **IRS**

Caution: Do not use this option to request an extension of time to (1) provide statements to recipients, (2) file Form 1042 (instead use Form 7004), or (3) file Form 1040 (instead use Form 4868).

Proactive Steps for Employees to Safeguard Their 2007 Returns When e-Filing

Once again for the 2007 tax filing season, many taxpayers will qualify to e-file their federal returns for free through Free File. For 2008 (the 2007 tax filing season), those who make an adjusted gross income of \$54,000 or less can use the program to prepare and file their Federal return. Free File offers the same benefits as e-file and 70% of taxpayers are eligible to use it.

To access the program, employees must visit IRS.gov and click on the "Free File" logo on IRS.gov at <http://www.irs.gov>. Otherwise, they may be charged a fee if they go directly to the website of a software provider. For those who used Free File last year and are still eligible to use the program, they will still need to access it again through the IRS website, IRS.gov, to avoid any unscrupulous look-a-like sites that may be attempting to steal your personal information.

e-Filing is Safe

History has shown e-filing to be very safe, so long as employees apply a few standard safety measures:

- Use software programs and vendors approved by the IRS. A list at <http://www.irs.gov/app/freeFile/jsp/index.jsp?ck#Company1> is maintained at IRS.gov for their reference, including approved software companies who offer Free File.
- Make sure employees are on a secured computer with current anti-virus and anti-

spyware software. They should perform frequent virus scans, download updates, and install firewalls to protect their computer while on the Internet. They are also advised to install anti-adware software.

- Avoid using shareware or peer-to-peer (P2P) software on any computer where personal, identifiable information is stored, including tax returns. P2P software is used to share music files or videos across the Internet. If employees choose to run this software, they should make sure that their personal data is in an encrypted directory or one that the peer-to-peer community can't access.

- Look for a "closed lock" icon on the computer screen when using online software or transmitting personal data. Employees should also see an "s" at the end of "http" in the address line. These icons show that they have a secured link between themselves and the vendor. If they don't see these security indicators, they shouldn't reveal or transmit their data.

- Beware of suspicious e-mail from the "IRS": The IRS doesn't send emails to taxpayers. So if you get such an email, even if it has the IRS logo on it, don't be fooled. It's not from the IRS.

By following the recommendations outlined here, employees can feel confident in using Free File and in e-filing their returns to the IRS. **IRS**

IRS Issues Pub 4557, Safeguarding Taxpayer Information

Data security should be a top priority for all individuals, tax practitioners, businesses and organizations. Putting safeguards in place helps prevent fraud and identity theft, and enhances customer confidence and trust.

Pub 4457 (<http://www.irs.gov/pub/irs-pdf/p4557.pdf>) will help non-governmental businesses, organizations, and individuals that handle taxpayer data to understand and meet their responsibility to safeguard taxpayer information. This guide references a growing number of laws, regulations, standards, and best practices that cover the privacy and security of taxpayer data:

- Confidentiality and privacy of taxpayer data by restricting access and disclosure;
- Integrity of taxpayer data by preventing improper or unauthorized modification or destruction; and
- Availability of taxpayer data by providing timely and reliable access and data recovery. **IRS**

2008 Social Security Wage Base Increase continued from page 1

receive benefits, they can earn more in 2008 without their benefits being reduced:

1. Social Security beneficiaries who haven't reached full retirement age can earn \$13,560 before their benefits are reduced. For every \$2 they earn over \$13,560 before the year of their full retirement age, \$1 is withheld from their benefits.
2. In the year employees reach full retirement age, \$1 in benefits is deducted for each \$3 they earn above \$36,120

until the month the employees reach full retirement age.

3. Benefits are not reduced when employees are full retirement age or older, no matter how much they earn.

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

For more information on wage base and benefit increases, see the Social Security press release at <http://www.socialsecurity.gov>. **SSA**

SSA/IRS

Reporter

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SSA.IRS.REPORTER@irs.gov

Fax: 410-962-2572

CHANGE OF ADDRESS? OUT OF BUSINESS?

Notify the IRS. Submit Change of Address Form 8822 available at <http://www.irs.gov/pub/irs-pdf/f8822.pdf> 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
MS:6273

Ogden, UT 84207

Attn: BMF Entity Control Unit

Outside US:

Philadelphia IRS Center
Philadelphia, PA 19255

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IRS and SSA "Help" Phone Numbers, Web Addresses, and Additional Resources Now on IRS.gov

IRS and SSA "Help" telephone numbers, Web addresses, and additional resources are now posted on IRS.gov at <http://www.irs.gov/businesses/small/article/0%2c%2cid=109886,00.html>.

W-2 Replacements and Corrections: Best Practices



As you read this, you might not have even given your employees their Forms W-2 (Wage and Tax Statement; due to employees by January 31). Whatever the situation, it's not too early to strategize how you'll handle requests for replacements or corrections.

Make it easy on yourself. Devise a form for employees to complete to request a replacement or correction. This will decrease your time on the phone, taking details, such as an employee's new mailing address. In such a case, you may send a copy of the original W-2; you don't need to correct the address on the W-2.

If you are replacing a W-2 that the employee lost, destroyed, or never received due to an address change, you are allowed to charge a fee! The IRS has not set a limit on the amount you may charge, but be sure to be consistent among your employees.

Corrections

If something was reported incorrectly on a W-2, you'll need to prepare a W-2c, *Corrected Wage and Tax Statement*, and give copies to the employee and the Social Security Administration (SSA). The W-2c is at <http://www.irs.gov/pub/irs-pdf/fw2c.pdf>.

You must complete Boxes a-b and d-g (tax year and basic employer/employee information). The numbered boxes (1-20) correspond to the box numbers on the W-2. For example, "Wages, tips, other compensation"

goes in Box 1 on the W-2, and any corrections go in the two boxes for Box 1 on the W-2c, indicating the "Previously reported" amount and the "Correct information." Any boxes for which no correction is necessary should be left blank.

Can You Correct Tax Amounts?

If you have over-withheld Social Security or Medicare tax from an employee, you must refund the excess to the employee and correct the wage and tax amounts on Form W-2c. (You'll also make an adjustment to your next Form 941, *Employer's Quarterly Federal Tax Return*, to get that money back, along with the employer-matching taxes, from IRS).

However, once federal and state income taxes have been deposited, you generally cannot correct those amounts via a W-2c. If an employee was over-withheld, he or she will get those taxes back after filing a personal income tax return.

Submitting Your Forms W-2c

Send your Forms W-2c to the SSA along with a Form W-3c, *Transmittal of Wage and Tax Statements*. Boxes a-e (basic employer information) are mandatory. The numbered boxes correspond to the numbered boxes on the Forms W-2c. Insert totals of any amounts reported on Forms W-2c. However, for Box 12, "Coded items," you'll enter a total of only the amounts for codes D through H, S, AA, and BB.

Follow-up Steps

For each W-2c, you need to consider whether you need to:

- Make an adjustment on your next Form 941, and whether that adjustment needs to be supported by a Form 941c, *Supporting Statement to Correct Information*;
- File an amended Form 940, *Employer's Annual Federal Unemployment (FUTA) Tax Return*;
- Send copies to the state revenue agency, along with a corrected annual reconciliation (if only state and local data is corrected, the W-2c does not go to SSA); and
- Amend your state unemployment insurance return.

Prepare W-2c Online!

You can prepare and file Forms W-2c (as well as Forms W-2) on the SSA's Business Services Online (BSO) website (<http://www.ssa.gov/employer/how.html>). It also allows you to print copies for your employees and any state agencies.

BSO doesn't work for some situations, however, such as when you are changing only state or local information. Then you may use the W-2c on the APA website (<http://legacy.payrollannex.org/news/formW2c.html>). **APA**

*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>.*

Redesign of Form 990 for Tax-Exempt Organizations

In June 2007, the IRS released a discussion draft of the redesigned Form 990, *Return of Organization Exempt from Income Tax*, filed by many public charities and other exempt organizations (<http://www.irs.gov/newsroom/article/0%2C%2Cid=171329%2C00.html>).

The discussion draft is a significant redesign of the form, which has been revised only on a piecemeal basis since 1979. The IRS anticipates using the redesigned form for the 2008 tax year (returns filed in 2009). The proposed redesign does not affect the other forms in the IRS Form 990 series; however, through this process, we requested comments on filing thresholds with respect to some of these forms.

Questions and comments concerning the redesigned form and instructions were accepted through September 14, 2007. The IRS is working with partners and stakeholders to ensure that the redesigned form meets three guiding principles:

- Enhancing transparency
- Promoting compliance
- Minimizing the burden on filing organizations

Additional information about the redesigned Form 990 is available on the IRS web site at: <http://www.irs.gov/charities/article/0%2C%2Cid=171216%2C00.html>. **IRS**

Telephone Survey of Small Tax Exempts Required to Electronically File Form 990-N

Russell Research, an independent national survey research firm, will be conducting a telephone survey of a random sample of small tax-exempt organizations that may be required to electronically file Form 990-N (e-Postcard) beginning in 2008 (see IR-2007-129 at <http://www.irs.gov/newsroom/article/0%2C%2Cid=172258,00.html>).

The objective of the survey is to gain insight into the effectiveness of IRS's communications efforts and to determine the readiness of these small organizations to electronically file the e-Postcard.

The survey will take place during the Winter of 2007; participation in the survey is voluntary and no identifying information will be shared with the IRS. Additional information about this new filing requirement is available at <http://www.irs.gov/charities/article/0%2C%2Cid=169250%2C00.html>.

IRS has several electronic resources available for exempt organizations. The online workshop Stay Exempt—Tax Basics for 501(c)(3)s is available at <http://www.stayexempt.org>. Exempt Organizations are also encouraged to subscribe to the *EO Update* at <http://www.irs.gov/charities/content/0%2C%2Cid=154838%2C00.html>, an electronic newsletter with information for tax-exempt organizations. **IRS**

TEST YOUR KNOWLEDGE

Household Employers

Situation: Alex was reviewing the tax returns of a new client and noted a Schedule H (*Household Employment Taxes*) attachment. Having limited exposure to the "household" rules, Alex wanted to research the issue more.

Question: What procedures might assist Alex in keeping the client's filings current?

Answer: A household employer may need to withhold and pay social security and Medicare taxes, pay federal unemployment tax (FUTA), or both for individuals providing household help.

Household Employer: Publication 926, *Household Employer's Tax Guide* (<http://www.irs.gov/pub/irs-pdf/p926.pdf>), and the examples and references it provides, may assist in reviewing when an individual (e.g. cleaning person, cook, gardener, babysitter, etc.) is a household employee. In general, a household worker may be an employee if the employer has the right to control what and how work is done, regardless of whether the worker is provided the freedom of action in carrying it out.

Schedule H: A household employer generally attaches Schedule H (<http://www.irs.gov/pub/irs-pdf/f1040sh.pdf>) to their individual income tax return (for example, *Form 1040 U.S. Individual Income Tax Return*), if (in 2007):

- **Social Security and Medicare:** Any household employee is paid cash wages of \$1,500 or more in the *calendar year*; or
- **Federal income tax** is withheld from wages; or
- **FUTA:** The total combined cash wages paid to all household employees are \$1,000 or more in any *calendar quarter* of the current or preceding year.

The **calendar year** wages subject to Schedule H reporting are adjusted annually; for the current year's wage threshold, see the Social Security Administration's electronic fact sheet on household workers (<http://www.ssa.gov/pubs/10021.html>). Cash wages include payments by checks, money orders, etc., and do not include payments to certain individuals, such as the household employer's spouse. Schedule H can be filed as a "standalone" form if there is no income tax filing requirement.

The household employer is responsible for both the employer and employee share of social security and Medicare taxes owed.

Regarding the employee share, the employer can either: **(1)** withhold it from wages, or **(2)** "cover" (pay) the employee share without withholding. The share "covered" by the employer is counted as additional wages for income tax purposes. Federal *income tax* withholding from household wages, however, is generally not required but can be done if requested by the employee.

Other Considerations: A household employer may need to make estimated tax payments or adjust their own withholding to avoid an estimated tax penalty on its household employment tax liability. Additionally, see Publication 926 and the Schedule H instructions (<http://www.irs.gov/pub/irs-pdf/i1040sh.pdf>) for information on preparing the Form W-2, *Wage and Tax Statement*; obtaining an employer identification number (EIN); state information and agency contacts; non-cash wages; and Schedule H alternatives if the household employer also operates a business. 

EFTPS PC Software Expires January 31, 2008!

Support for the original Electronic Federal Tax Payment System (EFTPS) PC software will end on January 31, 2008.

Businesses using the EFTPS PC Software to make only their Federal tax payments should consider using EFTPS via the Internet or phone. Your business may continue to make Federal tax payments with your current enrollment online at <http://www.eftps.gov> or via the telephone voice response system (VRS) at 1 (800) 555-3453.

With these options, you can schedule business tax payments up to 120

days in advance (and individual payments up to 365 days in advance) from anywhere that you have access to the Internet or telephone.

You can continue using your current Personal Identification Number (PIN) when you make payments via the phone at 1 (800) 555-3453. You also will need your Social Security Number (SSN) or Employer Identification Number, which you used to create your original enrollment. To make payments online, you will also need an Internet password. To obtain your Internet password, please call 1 (800) 982-3526. 



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IRS and SSA News and Announcements

AccuWage Anyone?

Employers and third party submitters can use AccuWage and AccuW2C Software for filing wage reports to Social Security to test the accuracy of their wage reports prior to submitting them electronically to Social Security for processing.

The AccuWage Software checks W2 wage reports to ensure they comply with the Specifications for Filing Forms W2 Electronically (EFW2) and provides a report listing all errors found in the wage report. The AccuW2C software performs the same type of format checks for Specifications Filing Forms W2C Electronically (EFW2C). Though wage reports cannot be edited using the AccuWage/AccuW2C Software, they can be tested repeatedly until all errors have been corrected.

For information and complete instructions to download the AccuWage Software to a computer, visit <http://www.ssa.gov/employer/accuwage/index.html>. **SSA**

Updated Minimum Wage Posters Available

Effective July 24, 2007, the federal minimum wage for covered non-exempt employees increased to \$5.85 per hour. The minimum wage will increase to \$6.55 per hour on July 24, 2008 and to \$7.25 per hour on July 24, 2009. A number of federal workplace posters have been revised to reflect these changes.

All updated posters are available and can be printed from the DOL Poster Web page at <http://www.dol.gov/compliance/topics/posters.htm>. Revised posters are also available for free from the Department at 1-888-972-7332. If you are not sure which posters must be posted by your organization, please use the elaws Poster Advisor at <http://www.dol.gov/elaws/posters.htm>. **DOL**

Social Security No Longer Accepts Magnetic Media Submissions

Social Security no longer accepts magnetic media submissions. All wages must be filed either electronically or on paper. If you use off-the-shelf software to prepare your wage reports and it does not offer electronic filing, contact your software company. Visit Social Security's Vendor List (<http://www.ssa.gov/employer/vendor.htm>) for a list of companies that offer wage reporting services and/or products.

More information is available at: <http://www.ssa.gov/employer>. **SSA**

Special Web Section for Homeowners Who Lose Homes; Foreclosure Tax Relief Available to Many

A special new section for people who have lost their homes due to foreclosure is now on IRS.gov. Although mortgage workouts and foreclosures can have tax consequences, special relief provisions can often reduce or eliminate the tax bite for financially strapped borrowers who lose their homes. **IRS**

Related Links:

- IR-2007-155, Special Web Section Unveiled for Homeowners Who Lose Homes; Foreclosure Tax Relief Available to Many at <http://www.irs.gov/newsroom/article/0%2C%2Cid=174022%2C00.html>
- Questions and Answers on Home Foreclosure and Debt Cancellation at <http://www.irs.gov/newsroom/article/0%2C%2Cid=174034%2C00.html>

Enhancements to Business Services Online

Social Security has enhanced its online registration process and its electronic wage reporting services for the 2007 tax filing season. The Business Services Online (BSO) enhancements, which began on October 27, 2007, will make it easier to register and submit wage reports to Social Security for processing. BSO is Social Security's free, secure interactive suite for the business community.

To register for Business Services Online, visit <http://www.socialsecurity.gov/bsowelcome.htm>. **SSA**

Taxpayers Can Now File Excise Form 2290 Electronically

On August 8, IRS began accepting Form 2290, *Heavy Highway Vehicle Use Tax Return*, electronically: <http://www.irs.gov/pub/irs-pdf/f2290.pdf> **IRS**

Related Link:

- Excise Taxpayers Successfully e-filing Form 2290 <http://www.irs.gov/businesses/small/article/0%2C%2Cid=173767%2C00.html>

File Forms W-2 Electronically— Free with BSO

Social Security has an easy-to-use Web site with bundles of information to help you get started filing your Forms W-2 electronically via Social Security's Business Services Online and it's absolutely free! Visit us at <http://www.socialsecurity.gov/employer>. **SSA**

Increase in Federal Minimum Wage Will Not Reduce 45 B Credit

Food and beverage industry employers should be aware of two changes to the credit for the portion of employer Social Security paid on employee cash tips known as the 45B Credit.

Recent legislation establishes that employers can use the federal minimum wage in place on Jan. 1, 2007 for computing the credit, even if the federal minimum wage increases, as it did in 2007 from \$5.15/hour to \$5.85/hour. The lower the minimum wage used to offset the 45B credit, the higher the credit.

Additionally, employers can now use the 45B Credit to offset the alternative minimum tax. Previously, the credit was not an allowable offset for AMT. **IRS**

Related Links:

- IR-2007-155 Increase in Federal Minimum Wage Will Not Reduce 45B Credit at <http://www.irs.gov/newsroom/article/0%2C%2Cid=173661%2C00.html>
- Form 8846 (<http://www.trs.gov/pub/irs-pdf/f8846.pdf>), Credit for Employer Social Security and Medicare Taxes Paid on Certain Employee Tips
- Credit for Portion of Employer Social Security Paid with Respect to Employee Cash Tips (IRC 45 B Credit) at <http://www.irs.gov/businesses/small/industries/article/0%2C%2Cid=98463%2C00.html>