



# ITG News

Keeping First Nations Informed



Publication 4267-A  
Catalog Number 37827F

Alaska Edition

January 2007

## Message from the Director

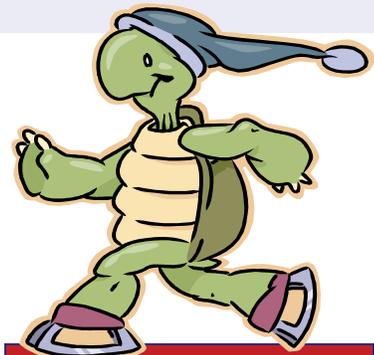
We recently released our FY 2007 Work Plan which details the goals and objectives of the office of Indian Tribal Governments for the current year. In keeping with our mission to raise the level of voluntary compliance, the Plan presents a balance of compliance checks, outreach, education, and examination activity.

It is important to understand that each of these activities serves a specific purpose. For example, Compliance Checks represent an opportunity to determine any areas where a tribal entity may be experiencing difficulties and affords them the opportunity to effect remedies at minimal risk. Outreach and Education are designed to afford tribal entities the opportunity to receive specialized training or information on current areas of concern so that they are better positioned to be fully compliant with relevant areas of federal tax law and/or the Bank Secrecy Act.

Examinations are the final part of our balanced approach to compliance. Although Tribes have many unique tax issues, the Internal Revenue Service has responsibility and authority to administer the federal tax laws for all types of entities, including governments. This includes the examination of books and records which affords the opportunity for an in-depth assessment of compliance. If a tribal entity has adhered to the requirements of the law, then an examination will likely not result in a tax change. If an error is discovered, then the ITG Specialist will propose a change in the entity's tax liability. The Specialist may also make recommendations for changes in future practices to avoid further problems in subsequent tax periods.

While we attempt to limit our examinations to areas that we believe have a likelihood for error, the mere fact that we conduct an examination does not mean that an error is present. In fact, approximately one in every six examinations we conduct does not result in a tax or filing change.

We know that an examination is often worrisome, but I hope you understand the importance it has in ensuring compliance and helping to identify errors before they grow into major problems. Information on the examination process is available on our web site at [www.irs.gov/tribes](http://www.irs.gov/tribes).



IN THIS ISSUE	
Message from the Director	1
What is a Nontaxable General Welfare Payment?	2
Am I Required to File Form 8027?	3
Guidance on Per Diem Reimbursements	4
How to Avoid an Averaged Failure to Deposit Penalty	5
Prior Issues	6/7
April 2007 Training in Anchorage	7
Tax Calendar for the 1st Quarter 2007	8/9
ITG Specialists	10
Year-end Reconciliation	11



Christie Jacobs



## What is a Nontaxable General Welfare Payment?

One of the most common issues we encounter is the question of taxability of support programs offered by tribes to their members. This issue has become increasingly common as tribes have developed economic enterprises that provide them with funds necessary to create these programs. Common examples are housing assistance, scholarships, medical care, transportation, and nutrition. As these programs are developed, it is important to determine the potential tax consequence to the recipients. Unfortunately, there is a general lack of understanding of what constitutes a nontaxable general welfare payment.

As a starting point, it is important to realize that there is no statutory exemption of welfare payments from federal taxation. The Internal Revenue Service, with tacit approval from Congress and the courts, has administratively created a concept known as the General Welfare Doctrine. This doctrine has been used to exempt from federal income taxation any payments made to, or for the benefit of, individuals that are based on "need." This can be financial need, health need, economic need, educational need, etc.; but the program must define the need and the criteria employed to determine the eligibility of recipients.



It is insufficient to simply designate a program as being "need-based," or to fund it from the percentage of net gaming revenue designated for general welfare under an approved Revenue Allocation Plan and assume that will make it nontaxable. The Internal Revenue Service is the sole governmental agency that can rule on the federal tax consequence of support programs.

In creating these programs, there are several factors that should be employed to properly determine the potential federal tax impact on recipients:

1. What is the "need" that will be met by the program?
2. Is the "need" one that routinely would be considered by various levels of government to be a necessary item that the public would support for funding from a public source?
3. Does the program have clear qualifying criteria as well as screening and evaluative mechanisms to ensure that recipients meet the criteria?
4. Is there an existing ruling from the Internal Revenue Service that addresses the federal tax consequence of an essentially similar program?
5. Has the responsible tribal governing body officially enacted the program?

Numerous Private Letter Rulings that address various governmental programs are available for review on our web site under the Published Guidance page at [www.irs.gov/tribes](http://www.irs.gov/tribes). If so desired, a Tribe can request its own Private Letter Ruling on its particular program.

Remember, the General Welfare Doctrine is an administrative creation of the Internal Revenue Service. In order for a support program to qualify for exemption from federal taxation, a Tribe needs to ensure it has fully addressed the issue of "need." Use of the term "general welfare" or the fact that the program is funded by the "general welfare" component of a Revenue Allocation Plan is insufficient to make the payments nontaxable.

Questions concerning the tax consequence of an existing or planned program or the method to secure a Private Letter Ruling should be directed to your ITG Specialist.



## Am I Required to File Form 8027?

Form 8027 *Employer's Annual Information Return of Tip Income and Allocated Tips* is an annual information return required to be filed by "large food and beverage establishments." A "large food and beverage establishment" is defined at IRC Section 6053 as any trade or business, (A) which provides food or beverages, (B) where tipping is customary, and (C) where there are more than 10 employees who work more than 80 hours on a typical business day.



Ten or more employees means the total employees at all of the employer's establishments who provide services in connection with the provision of food and beverages--not just the directly tipped employees. Therefore, the hostess, wine stewards, cooks, kitchen help, etc. would be considered together with the directly tipped employees (waiters, beverage servers, etc.) in determining whether or not you are required to file Form 8027.

A separate Form 8027 is required for each food and beverage establishment operated by the employer. In addition, one Form 8027 is required for each venue in the same building where the customers occupy a separate area for the activity and where the gross receipts for the activity are recorded separately for that food and beverage activity. For instance, a casino that has a beverage service, a buffet, and two restaurants, generally would be required to file four (4) Forms 8027.



The Form 8027 requires an allocation to tipped employees when the establishment has reported tips of less than 8% of gross receipts. The instructions for Form 8027 give detailed information on how to make the allocation. If you are in a tip agreement with the IRS and your reported tips are less than 8%, the allocation is reported only on the W-2s of those employees who are not participating (not reporting tips at or above the agreed tip rate) in the tip agreement.

Form 8027 is due the last day of February (by March 31<sup>st</sup> if filing electronically) for the preceding calendar year. Form 8809 *Application for Extension of Time to File Information Returns* can be used to file for extension but must be filed before the due date for filing Form 8027. See the instructions for Form 8027 and Form 8809 for where to file.

If you are an establishment participating in a Gaming Industry Tip Compliance Agreement (GITCA) with the IRS, you do not have to file Form 8027 as long as you maintain the data in a comparable format and provide the data to the ITG Tip Coordinator by the Form 8027 due date. A suggested format for this purpose is available through your ITG Specialist or the ITG Tip Coordinator. Participants in a Tip Rate Determination Agreement (TRDA) must file the Form 8027 with the IRS, Cincinnati, Ohio 45999 and send a courtesy copy to the ITG Tip Coordinator, at IRS—att: Julia Reese, 12600 West Colfax Avenue - Suite C-300, Lakewood, Colorado 80215, by the due date.

### Employee Tip Income Program Questions

ITG has a full-time Tip Coordinator to assist you with any questions about tip reporting agreements. If you are interested in securing a Tip Agreement, have questions concerning your existing agreement, or have received a notice about tip reporting responsibilities that is unclear, please contact Julia Reese at (303) 231-5250, extension 236.

## IRS Provides Guidance on Per Diem Expense Reimbursements Paid By Employers



The Internal Revenue Service has issued guidance emphasizing the need for employers to track the amount of expense reimbursement allowances paid to employees on a per diem basis. Revenue Ruling 2006-56 tells employers that if they routinely pay per diem allowances in excess of the federal per diem rates, but do not track the allowances and do not require the employees either to actually substantiate all the expenses or pay back the excess amounts and do not include the excess amounts in the employee's income and wages, then the entire amount of the expense allowances is subject to income tax and employment tax.



Generally, amounts employers pay employees to reimburse them for substantiated business expenses are not subject to income tax or employment tax. For reimbursements of expenses for meals and other incidentals associated with business travel, employees get this exclusion for reimbursements for each day of travel up to the federal per diem rates without having to actually substantiate the amounts of the expenses. However, if an employer pays expense allowances that exceed the federal per diem rates, the excess amounts are subject to income tax and employment tax if they are not repaid to the employer unless the employee actually substantiates all of the expenses covered by the per diem allowance.

The revenue ruling illustrates when a per diem allowance arrangement that fails to track the excess amounts and does not include the unsubstantiated, unrepaid excess amounts in the employee's income and wages constitutes a pattern of abuse of the rules for tax-free expense reimbursements. The finding that the arrangement is abusive causes all allowances paid under the arrangement to be subject to income tax and employment tax, not just the excess amounts. While the revenue ruling uses a scenario in the trucking industry because of the industry's widespread use of per diem allowances, the analysis in the revenue ruling applies to any employer in any industry that uses per diem allowances to reimburse employee expenses.

Revenue Ruling 2006-56 is effective immediately. However, the IRS recognizes that employers may need some time to adjust their systems so they can track excess allowances and account for them correctly. As a result, the IRS has instructed agents not to apply the results under the revenue ruling for taxable periods ending on or before December 31, 2006 in the absence of intentional noncompliance.

### Reporting Abuses/Schemes

We continue to work with tribes and tribal officials to address financial abuses and schemes being promoted in Indian country. Working together can help ensure the integrity of tribal finances and eliminate the threats posed by individuals with schemes that appear **"too good to be true"** and often are. If you are aware of financial impropriety or of a promoter advocating a scheme that appears highly suspect, contact:

ITG Abuse Detection and Prevention Team at (716) 686-4860  
or  
via e-mail at [tege.itg.schemes@irs.gov](mailto:tege.itg.schemes@irs.gov).

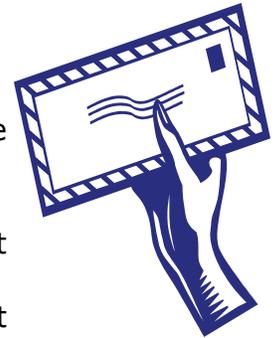


## How to Avoid an Averaged Failure to Deposit (FTD) Penalty

The best way to avoid an averaged FTD penalty is to provide a complete and valid record of Federal tax liability (ROFT) with the return. The ROFT is a record of the dates and dollar amounts of payments or wages that were paid and is used to verify the timeliness of deposits. Form 941 semi-weekly schedule depositors report their ROFT information on Schedule B (Form 941), Employer's Record of Federal Tax Liability. Form 945 semi-weekly schedule depositors report their ROFT information on Form 945A, Annual Record of Federal Tax Liability. Whereas monthly schedule depositors report their monthly ROFT information on the ROFT section of the return.

The ROFT is not accepted for processing if a negative liability amount is entered or if the total of the liability amounts entered on the ROFT does not equal the total amount of tax reported on the return. When the ROFT information is deemed invalid, it is excluded from the return processing and a CP 207 notice is issued with a blank ROFT that must be completed and returned. If the corrected ROFT is not returned on or before the date requested, an averaged FTD penalty is computed by averaging the total tax amount reported on the return and distributing those amounts equally throughout the tax period. Your deposits will be considered late when applied to the averaged ROFT amounts because the averaged ROFT amounts and dates figured will differ from your actual tax liability amounts and incurred dates for which you made your deposits. The penalty rate used to calculate the penalty increases according to the number of days the tax liability remains unpaid. The averaged liability amounts not properly or timely deposited will be charged at the penalty rates shown below:

- 2 percent for deposits made 1 to 5 days late.
- 5 percent for deposits made 6 to 15 days late.
- 10 percent for deposits made 16 or more days late but within 10 days of the date of the first notice we sent you asking for the balance of tax due.
- 10 percent for deposits made at unauthorized financial institutions.
- 10 percent for amounts subject to electronic deposit requirements but not deposited using EFTPS.
- 15 percent for amounts still unpaid more than 10 days after the date of the first notice we sent you asking for the balance of tax due.



Remember to follow the steps below when completing the tax liability schedule:

1. Report each tax liability (not your deposits) on the tax liability schedule.
2. Verify that the total amount reported on your tax liability schedule equals your total tax liability shown on your return.
3. Do not show negative amounts on the tax liability schedule. If a prior period tax adjustment results in a decrease in your tax liability, reduce your liability for the same day you discovered the error and by the amount of the tax decrease resulting from the error, but not below zero. Apply any remaining decrease to subsequent liabilities on the schedule.

### Update on Customer Satisfaction Survey

As we prepare for issuance of this edition of ITG News, we are just finalizing our analysis of the feedback from the recent survey. We will be posting a summary report on the web site at [www.irs.gov/tribes](http://www.irs.gov/tribes) in the near future and will also post a listing of specific actions we will undertake to address any concerns that surfaced. Our thanks to everyone who participated in this important annual undertaking.

## Articles of Interest from Prior Newsletters

The following is a list of articles from previous Alaska Editions of ITG News. For any of our prior editions of ITG News, just visit our website at [www.irs.gov/tribes](http://www.irs.gov/tribes) and click on **ITG Newsletters** link.



Prior Editions	Highlights
<a href="#">October 2006</a>	<ul style="list-style-type: none"> <li>• Excise Tax on Abusive Transactions</li> <li>• ITG and Justice Work to Shut Down Abuse Scheme</li> <li>• Pension Bill Affects Indian Tribal Government Plans</li> <li>• Revisions to Publication 3908 and Publication 4268</li> <li>• Moving Expenses</li> <li>• Form W-9, Backup Withholding, and Form 945</li> </ul>
<a href="#">July 2006</a>	<ul style="list-style-type: none"> <li>• Helpful Hints to Avoid Penalties</li> <li>• A Primer on Published Guidance</li> <li>• Facsimile Signatures on Tax Returns</li> <li>• EFTPS-Electronic Federal Tax Payment System</li> <li>• What If My Name Changed</li> <li>• Notice of Levy on Wages and Income; W-2 News</li> <li>• A Free Electronic Newsletter</li> </ul>
<a href="#">April 2006</a>	<ul style="list-style-type: none"> <li>• New ITIN Acceptance Agent Rules</li> <li>• Top 10 Items Corrected through Compliance Checks</li> <li>• Business Filer Notices</li> <li>• Pull-Tab Sales and Agent's Form 11-C</li> <li>• Notices Federal Unemployment Tax Refunds</li> <li>• Advance Earned Income Credit</li> </ul>
<a href="#">January 2006</a>	<ul style="list-style-type: none"> <li>• Reporting Employee Theft</li> <li>• Federal Unemployment Tax</li> <li>• W-2, W-3, W-2c Entries</li> <li>• Paper Form W-2 Filers</li> <li>• Calendar of Tax Events</li> <li>• Year-end Reconciliation Worksheet</li> </ul>
<a href="#">October 2005</a>	<ul style="list-style-type: none"> <li>• Need to Make Your Form 941 Deposits (FTDs) By Phone?</li> <li>• Filing W-2s Online-It's Easier Than You Think</li> <li>• Are You Complying with Payroll Recordkeeping Requirements?</li> <li>• How to Avoid an "Averaged" Failure-to-Deposit Penalty</li> <li>• IRS is Reducing Mailings to Save Postage and Printing Costs</li> <li>• Winner's Prizes and Awards</li> <li>• Form W-2G, Certain Gambling Winnings</li> <li>• Raffle Winnings</li> </ul>
<a href="#">July 2005</a>	<ul style="list-style-type: none"> <li>• Combating Credit Card Abuse</li> <li>• Alaska Native Claims Settlement Act Dividends</li> <li>• Form W-2 for Tribal Council Members</li> <li>• Required Returns for Pull-tabs</li> <li>• ITG Specialists for the Pacific Northwest</li> </ul>
<a href="#">April 2005</a>	<ul style="list-style-type: none"> <li>• Cellular Phones and Pagers</li> <li>• Outsourcing Payroll to a Third-Party Payroll Service</li> </ul>
<a href="#">January 2005</a>	<ul style="list-style-type: none"> <li>• Earned Income Tax Credit Initiative for Native Communities</li> <li>• Form 1099-MISC:Reporting Payments to Nonemployees</li> <li>• Abusive Schemes</li> <li>• Year-end Reconciliation Worksheet</li> </ul>



Prior Editions (continued)	Highlights (continued)	 <p data-bbox="1247 411 1500 579"><b>Pub 4268— Employment Tax Guide for Tribes</b></p> <p data-bbox="1230 611 1513 919">Our on-line Employment Tax Guide was updated in October 2006. You can download this comprehensive guide from a link on our landing page at <a href="http://www.irs.gov/tribes">www.irs.gov/tribes</a>.</p>
<a href="#">October 2004</a>	<ul style="list-style-type: none"> <li>• Electronic Federal Tax Payment System</li> <li>• Questionable W-4s</li> <li>• Correcting Forms W-2 and W-3</li> </ul>	
<a href="#">July 2004</a>	<ul style="list-style-type: none"> <li>• Section 501(c)(4) Entities and FUTA</li> <li>• Information Reporting for Pow-Wow Prizes</li> <li>• Employee or Independent Contractor</li> <li>• Receiving a Notice From IRS</li> </ul>	
<a href="#">April 2004</a>	<ul style="list-style-type: none"> <li>• Tribal Enterprise Structure Issues</li> <li>• SSA and IRS Reconciliation Process</li> <li>• Balancing Forms 941 to Form W-3 Information</li> <li>• Reconciliation Worksheet</li> <li>• How to Avoid Errors with New Hires</li> <li>• 941c Example</li> </ul>	
<a href="#">January 2004</a>	<ul style="list-style-type: none"> <li>• On-Line Employment Tax Guide</li> <li>• Federal Unemployment Tax</li> <li>• Tax Schemes in Indian Country</li> <li>• The Basics of Federal Tax Deposits</li> <li>• Pull-Tabs Filing Requirements</li> <li>• EFTPS-FTD Refund Initiative</li> </ul>	
<a href="#">October 2003</a>	<ul style="list-style-type: none"> <li>• Information Reporting of Certain Payments made by Indian Tribal Governments</li> <li>• FUTA Refund</li> </ul>	

### April 2007 Training in Anchorage

We will be offering an Employment Tax Workshop in Anchorage on April 24 and 25, 2007. The training will be held at the IRS offices at 949 East 36th Avenue, Anchorage. Items on the agenda will include:

- Defining Employees vs. Independent Contractors
- Computing the correct taxes for payroll
- Completing Form 941 Quarterly Employment Tax Return
- Making federal tax deposits
- Due Dates on Tax Returns
- Completing Forms W-2/W-3 and 1099/1096
- Reconciling Forms 941 and W-2 at year end
- Avoiding penalties
- Meeting rules for an Accountable Plan for Per Diem & Travel Reimbursements

If you are interested in attending, please let us know via e-mail to [Judy.M.Pearson@irs.gov](mailto:Judy.M.Pearson@irs.gov) or via fax to (907) 271-6949. Space is limited so reserve your seat as soon as possible.

# Federal Tax Calendar for First Quarter 2007

## January 2007

SUN	MON	TUE	WED	THU	FRI	SAT
	1	2	3	4 *make a deposit for 12/27-12/29	5 * make a deposit for 12/30-1/2	6
7		9	10 * make a deposit for 1/3-1/5 Employees report December tip income to employers if \$20 or more	11	12 * make a deposit for 1/6-1/9	13
14	15	16 ** Make a deposit for December if under the monthly deposit rule	17	18 *make a deposit for 1/10-1/12	19 *make a deposit for 1/13-1/16	20
21	22	23	24 *make a deposit for 1/17-1/19	25	26 *make a deposit for 1/20-1/23	27
28	29	30	31 *make a deposit for 1/24-1/26			

Issue W-2s and  
1099s to recipients  
by January 31st.

## February 2007

SUN	MON	TUE	WED	THU	FRI	SAT
				1	2 *make a deposit for 1/27-1/30	3
4		6	7 *make a deposit for 1/31-2/2	8	9 *make a deposit for 2/3-2/6	10
11	12 Employees report January tip income to employers if \$20 or more	13	14 *make a deposit for 2/7-2/9	15 ** Make a deposit for January if under the monthly deposit rule	16 *make a deposit for 2/10-2/13	17
18	19	20	21	22 *make a deposit for 2/14-2/16	23 *make a deposit for 2/17-2/20	24
25	26	27	28 *make a deposit for 2/21-2/23			

File W-2s with SSA  
and 1099s with IRS  
by February 28th.

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

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

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

# March 2007

SUN	MON	TUE	WED	THU	FRI	SAT
				1	2 *make a deposit for 2/24-2/27	3
4	5	6	7 *make a deposit for 2/28-3/2	8	9 *make a deposit for 3/3-3/6	10
11	12 Employees report February tip income to employers if \$20 or more	13	14 *make a deposit for 3/7-3/9	15 ** Make a deposit for February if under the monthly deposit rule	16 *make a deposit for 3/10-3/13	17
18	19	20	21 *make a deposit for 3/14-3/16	22	23 *make a deposit for 3/17-3/20	24
25	26	27	28 *make a deposit for 3/21-3/23	29	30 *make a deposit for 3/24-3/27	31

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

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

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

## Return Filing Dates

### January 2nd

- > File Form 730 and pay the tax on applicable wagers accepted during November 2006.

### January 31st

- > File Form 941 for the 4th quarter of 2006. If all deposits are paid on time and in full, file by February 12th.
- > File Form 940 for 2006 if liable for Federal Unemployment Tax (not participating or current with state unemployment tax). If all deposits are paid on time and in full, file by February 12th.
- > File Form 730 and pay the tax on applicable wagers accepted during December.
- > File Form 945 for 2006. If all deposits are paid on time and in full, file by February 12th.
- > File Form 943 for 2006 (agricultural entities). If all deposits are paid on time and in full, file by February 12th.

### February 28th

- > File information returns for all payments reported to recipients on Forms 1099, 1098, 5498, and W-2G, using Form 1096 as a transmittal. If filing these forms electronically, file by March 31st.
- > File Form W-3, along with copy A of Forms W-2 you issued for 2006. File by March 31st if filing electronically.
- > File Form 730 and pay the tax on applicable wagers accepted during January.
- > File Form 8027 if you are a large food and beverage establishment. File by March 31st if filing electronically.

### March 31st

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



**ITG Area Contacts**  
Alaska, Idaho, Oregon, Washington

**ITG Specialists for the Pacific Northwest**

<b>Mary Jo Audette</b>	Anchorage, AK	907-271-6874	Mary.J.Audette@irs.gov
<b>Diane Nesvick</b>	Anchorage, AK	907-271-6917	Diane.M.Nesvick@irs.gov
<b>Judy Pearson</b>	Anchorage, AK	907-271-6949	Judy.M.Pearson@irs.gov
<b>John Mandeville</b>	Spokane, WA	509-353-0816	John.M.Mandeville@irs.gov
<b>Melodie Gren</b>	Spokane, WA	509-353-0824	Melodie.F.Gren@irs.gov
<b>Michael Fehrenbacher</b>	Vancouver, WA	360-696-7643 ext. 227	Michael.Fehrenbacher@irs.gov
<b>James McCabe</b>	Vancouver, WA	360-696-7643 ext. 228	James.McCabe@irs.gov
<b>Connie Perkins</b>	Salem, OR	503-399-5623 ext. 251	Connie.K.Perkins@irs.gov
<b>Joe Kincaid, Manager</b>	Portland, OR	503-326-2381	Joe.Kincaid@irs.gov

**Toll-free Pager Number**

In response to your feedback, we want to make it easier for you to contact us. You can contact **Judy Pearson**, one of our Indian Tribal Governments Specialists in **Alaska**, by calling her **toll-free pager** at **1-888-733-6502** and leaving a callback telephone number. Judy will return your call as soon as possible.

**Telephone, Internet, & Mailing Address**

- **Call:** Customer Account Services toll free **877-829-5500**
- **Visit:** Indian Tribal Governments Web site at [www.irs.gov/tribes](http://www.irs.gov/tribes)
- **Write:** Internal Revenue Service  
Indian Tribal Governments SE:T:GE:ITG  
1111 Constitution Ave., NW  
Washington, DC 20224

## Year-end Reconciliation Worksheet for Forms 941, W-2, and W-3

- Annual amounts from payroll records should match the total amounts reported on all Forms 941 for the year.
- Total amounts reported on all Forms 941 for the year should match the sum of the same data fields shown in the W-3 totals.
- If these amounts do not match, recheck records and identify necessary adjustments.

column a	column b	column c	column d	column e	column f	column g
<b>COMPARISON AREA</b>	<b>941 Line #</b>	<b>Form 941 (all 4 quarters)</b>	<b>W-2, W-3 Box #</b>	<b>W-2s (total of all forms)</b>	<b>Amount on W-3</b>	<b>Difference (col c minus col e)</b>
Compensation	Line 2		Box 1			
Federal Income Tax	Line 3		Box 2			
Social Security Wages	Line 5a Column 1		Box 3			
Social Security Tips	Line 5b Column 1		Box 7			
Social Security Tax	Line 5a + 5b Column 2					
Social Security Tax comparison computation	Line 5a + 5b divided by 2		Box 4			
Medicare Wages	Line 5c Column 1		Box 5			
Medicare Tax	Line 5c Column 2					
Medicare Tax comparison computation	Line 5c divided by 2		Box 6			