



ITG News

Keeping First Nations Informed



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April 2007

Message from the Director

The Internal Revenue Service and the United South and Eastern Tribes (USET) recently issued a joint press release confirming our commitment to working in partnership to address federal tax administration issues for their 24 member tribes. The occasion of this release was a meeting between Brian Patterson, the new USET President, and Steve Miller, the Commissioner of the Tax Exempt Government Entities Division of the IRS, which includes the office of Indian Tribal Governments (ITG).

I am extremely proud of the relationship that has evolved between USET and ITG. USET has been in the forefront in surfacing concerns and helping to develop and implement solutions to federal tax administration issues. ITG has been invited to attend every USET meeting during our 7 year existence, and the dialogue that has occurred at those meetings has helped both parties better understand the issues facing Indian country. Although we recognize that we will never agree on every issue, we respect each other's position and commit to a continuing dialogue in the hope that resolution may eventually occur on all issues.

I am often asked by other tribal organizations how we developed such a strong working relationship with USET. There is one simple answer..."they invited us to the table, and we accepted."

I wish that we had a similar relationship with all tribal organizations that share an interest in discussing issues involving federal tax administration or Bank Secrecy Act matters. While we will be continuing our Consultation Listening meetings, those opportunities cannot replace the benefits of an ongoing joint dialogue that can exist through the regular discussions with regional groups.

I want to openly invite all tribal organizations to consider including ITG in your regular meetings where issues concerning federal taxation, economic development, gaming regulation, or similar items may be on the agenda. We are committed to participating in the dialogue, assisting in resolving questions, and ensuring that your concerns are heard. As always, please feel free to contact me at 720-956-4504 or christie.jacobs@irs.gov.

Christie Jacobs



IN THIS ISSUE

Message from the Director	1
Consultation Listening Meeting to be Held in Reno	2
Form W-8 BEN Scheme	2
Tax Breaks Extended	3
New ITG Tip Coordinator	3
Update on Customer Satisfaction Survey	4
Telephone Excise Tax Refund for Tribal Gov't	5
Military Combat Zone Tax Issues	6
Mileage Allowance Increase	7
April Training in Anchorage	8
Tax Calendar for the 2nd Quarter 2007	9/10
ITG Specialists	11



Consultation Listening Meeting Scheduled for Reno

In accordance with the Consultation procedures utilized by the Internal Revenue Service, ITG holds Consultation Listening meetings on a rotating basis throughout Indian country. The meetings are open to any tribal representatives and provide an opportunity to surface concerns, ask questions, provide input and suggestions to ITG, and dialogue with other tribal representatives concerning federal tax issues. Our objective is to hold a meeting within each of the 12 BIA regions at least once every three years.

Our next meeting has been scheduled for Reno, Nevada on Tuesday, April 24th. The meeting will be held from 9:30am-Noon at:

Courtyard by Marriott
6855 South Virginia Street
Reno, Nevada 89511



In order that we can adequately plan for the meeting, we ask that those wishing to attend register for the meeting through a link on our web site at www.irs.gov/tribes.

We plan to hold two additional meetings during the current fiscal year—Minnesota in June and Oklahoma in August. The specific dates, times, and locations for those meetings will be announced on our web site and via direct mailings to the tribes in those areas.

Beware of Bogus Issuance Requesting Form W-8 BEN

We want to express our appreciation to the tribes who surfaced the recent scam involving a bogus letter soliciting Forms W-8 BEN from tribes and tribal members. Thanks to the quick action of those tribes, we were able to issue an alert to all of Indian country and were also able to mitigate any potential damage that might have occurred by this scheme, which amounts to little more than an attempt at identity theft.

Although the individuals attempting to perpetrate this scam are continuing their efforts and are making changes to the scheme by changing fax submission numbers or e-mail response addresses, the joint action by tribes and ITG has helped protect the assets of tribal members.



If you are unaware of this scheme, we ask that you be on the **lookout** for any letter, fax, or e-mail communication that appears to be from the IRS informing you that you are non-resident aliens and are exempt from federal taxation. The information in the letter, fax, or e-mail is not only incorrect, but the letter itself is bogus.

This letter is not from the Internal Revenue Service, and you should not follow any of the instructions contained within the letter, nor complete or submit the form that is attached to it. The letter is a scam being perpetrated to attempt to secure financial information from unsuspecting individuals. In addition, the attachment to the letter is not a legitimate Form W-8 BEN as evidenced by numerous typographic errors, including referring to our country as the "United State" of America. The fax number does not belong to the IRS, and all IRS e-mail addresses end in the suffix "@irs.gov", which is not the suffix used in the e-mail address in the letter.

We cannot overemphasize the importance of this matter. Please take all reasonable steps to ensure your tribal members are not victimized by this scam.

If you have any questions, please contact Indian Tribal Governments Manager Kenneth Voght via phone at 716-686-4860 or via e-mail at tege.itg.schemes@irs.gov.

Tax Provisions Benefiting Indian Country Extended by Congress

As the recent Congressional session drew to a close, Congress authorized the extensions of the Indian Employment Tax Credit and the Accelerated Depreciation rules for business property located on Indian reservations. Although these are both income tax benefits for businesses, and thus of minimal direct benefit to tribes, they are important tools that can be used for economic development and job creation for tribal members.

The Indian Employment Tax Credit was originally created under the Omnibus Budget Reconciliation Act of 1993. The provision created a business tax credit for the employer of qualified employees that work and live on or near an Indian reservation. The credit is for wages and health insurance costs paid to qualified employees (up to \$20,000) in the current year over the amount paid in 1993. Wages for which the work opportunity tax credit is available are not qualified wages for the Indian employment tax credit. The Indian employment tax credit had expired on December 31, 2005. However, the recent Congressional action extended the credit for two additional years (through the end of 2007).

Congress also extended the special rules allowing for accelerated depreciation of business property located on Indian reservations. The original law allowed a special depreciation recovery period applies to qualified Indian reservation property placed in service before January 1, 2006. Congress extended the special depreciation for two additional years, meaning that qualified Indian reservation property placed in service before January 1, 2008 will qualify. In general, qualified Indian reservation property is property used predominantly in the active conduct of a trade or business within an Indian reservation, which is not used outside the reservation on a regular basis and was not acquired from a related person.

Many tribes have made extensive use of these tax benefits as marketing tools for economic growth. If you have any questions about these provisions, please feel free to contact your assigned Indian Tribal Governments Specialist.

New ITG Tip Income Coordinator

ITG has a full-time Tip Coordinator to assist you with any questions about tip reporting agreements.

Julie Reese, who has performed this duty for the past few years, has retired from the Internal Revenue Service as of the end of March. We are indebted to Julie for the excellent work she did on behalf of the Service and Tribes. She will be sorely missed. We all wish her the best in her retirement.



We are pleased to announce that **Suzanne Perry** has been selected as a replacement for Julie and will continue to assist tribes in this important area. Suzanne has been an ITG Specialist in Arizona for the past 7 years and brings a wealth of experience in working with tribes, and particularly with the Tip compliance program.

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 Suzanne at (602) 207-8254 or via e-mail at Suzanne.V.Perry@irs.gov.

Customer Satisfaction Survey Results Published

The Office of Indian Tribal Governments recently completed its fourth annual customer survey. The survey gave us feedback from our customers that allows us to measure customer satisfaction with our products and services and determine areas where we need to effect operational changes.

We want to thank everyone who participated. We received input from 184 of the 562 federally recognized Tribes, representing a 33% response rate. This was virtually identical to the prior year survey response rate but is a major improvement from the initial survey completed in 2003. We are pleased that the overall level of satisfaction rose from 72% to 76%, but there were a number of issues surfaced where we are undertaking actions to address concerns raised in the survey. This includes, but is not limited to:

- Developing specific materials for tribal members and tribal employees that explain tax issues that affect them
- Revising work processes to improve responsiveness to tribal inquiries by ITG staff
- Enhancing ITG News to make it a more effective communication tool

In addition to the overall measures, we also looked at satisfaction by geographic area and by common themes within the survey. The following table shows that analysis, and compares the responses this year with the survey responses from the prior year:

	Eastern		North Central		Southwest		California/Nevad		Northwest		Alaska	
	FY 2005	FY 2006	FY 2005	FY 2006	FY 2005	FY 2006	FY 2005	FY 2006	FY 2005	FY 2006	FY 2005	FY 2006
Burden/ Delivery of Information												
Satisfied	60%	83%	76%	72%	82%	56%	71%	76%	60%	82%	57%	57%
Neutral	30%	9%	18%	21%	11%	26%	22%	16%	29%	15%	32%	29%
Dissatisfied	10%	8%	6%	7%	7%	18%	7%	8%	11%	3%	12%	14%
Collaborate												
Satisfied	72%	72%	75%	58%	77%	60%	68%	71%	38%	48%	45%	42%
Neutral	22%	20%	19%	36%	21%	25%	26%	20%	54%	40%	41%	43%
Dissatisfied	6%	8%	7%	6%	2%	15%	6%	8%	9%	12%	14%	15%
Recognition												
Satisfied	75%	82%	80%	73%	84%	69%	76%	84%	55%	73%	58%	52%
Neutral	21%	11%	16%	22%	14%	20%	18%	10%	36%	23%	36%	38%
Dissatisfied	4%	8%	3%	5%	2%	11%	6%	5%	9%	4%	6%	10%
Protocol/ Horizontal Equity												
Satisfied	73%	88%	75%	71%	72%	69%	70%	79%	51%	66%	51%	57%
Neutral	25%	6%	25%	25%	22%	25%	29%	17%	46%	26%	43%	36%
Dissatisfied	2%	5%	0%	4%	6%	6%	1%	3%	3%	8%	5%	8%
Accuracy/ Timeliness/ Honesty												
Satisfied	63%	73%	68%	49%	72%	55%	66%	72%	46%	63%	45%	48%
Neutral	28%	21%	27%	40%	28%	28%	30%	24%	52%	31%	49%	40%
Dissatisfied	8%	6%	4%	11%	0%	18%	4%	4%	2%	6%	6%	12%
Overall Satisfaction												
Satisfied	77%	88%	87%	78%	92%	73%	88%	86%	57%	85%	56%	59%
Neutral	19%	4%	13%	22%	8%	15%	12%	8%	29%	8%	39%	33%
Dissatisfied	3%	8%	0%	0%	0%	12%	0%	5%	14%	8%	5%	8%

A more complete report on the survey is posted to our web site at www.irs.gov/tribes. We look forward to input at the ongoing Consultation Listening meetings (see article on page 2) to further assist in determining improvement opportunities.

Telephone Excise Tax Refund for Tribal Governments

The Internal Revenue Service (IRS) stated in [IR 2006-82](#) and [Notice 2006-50](#) that it would stop collecting the excise tax on long-distance telephone service and make refunds of tax paid available. Procedures were established to allow refunds within the statute of limitations to all individuals and organizations that had paid the tax. It was initially indicated that exempt organizations (including tribal governments) would request the refund on Form 990-T and make the calculation of the refund on new Form 8913. However, the IRS has now clarified the procedure for requesting refunds of telephone excise taxes by tribal government entities.



Since tribal government entities are exempt from all federal telephone excise taxes for their governmental functions under section 4253(i) and section 7871 of the Internal Revenue Code, their refund requests are not covered by the provisions of Notice 2006-50. Any request for refund of telephone excise tax (whether local or long-distance) should be requested on [Form 8849](#) Claim for Refund of Excise Taxes. Tribal government entities should not use Form 990-T to request a refund of telephone tax.

You may request the refund directly from your telephone service provider. If you want to request the refund from the IRS, use the following procedure:

- Fill out Form 8849 [Schedule 6](#) with the amount to be refunded. Complete a line for each period requesting a refund.
- Annotate the top of Form 8849 in red "**Not a Notice 2006-50 Claim.**" Complete the identifying information at the top, check the box for "Schedule 6," and sign and date the return.
- Indicate on the form that the request is filed pursuant to IRC section 4253(i). Attach Schedule 6 to Form 8849 and mail to:

Internal Revenue Service
Cincinnati, OH 45999-0002

- Indicate that the telephone service provider erroneously imposed communications excise tax on the tribal government entity.

Note: Disregard the "Caution" on page 2 of the Form 8849 instructions. This does not apply to 4253(i) refunds to tribal and other governmental and exempt organizations.

A tribal government entity may request a refund for Federal excise taxes on (1) **long distance** service billed after February 28, 2003 and (2) all **local** Federal telephone excise taxes for essential government service billed after December 31, 2003. You should request a refund for the entire period on one form; the return should be filed during calendar year 2007. In addition, there are statutory deadlines applicable to requests for calendar year 2004. The refund requests that include Federal excise taxes paid during the calendar quarters shown below must be filed by the due date shown:

2004 Calendar Year Quarter	Refund Request must be filed by:
January - March 2004	April 30, 2007
April - June 2004	July 31, 2007
July - September 2004	October 31, 2007
October - December 2004	January 31, 2008

Military Combat Zone Tax Issues

Many Alaskan National Guard and Reserve members are currently deployed in a combat zone. For some, this may be the first time receiving combat pay. Although most military families know that combat pay is non-taxable, they may not realize the impact non-taxable combat pay has on the Earned Income Tax Credit and on other tax benefits. Here are some frequently asked questions and their answers:



I served in the combat zone all year and my W-2 has \$0 in Box 1 Wages. Do I need to file a tax return?

You aren't required to file a return if your taxable income is below a certain level, but you may WANT to file a tax return. You may be eligible for refundable credits like the Earned Income Tax Credit or Additional Child Tax Credit, but you need to file a tax return to claim them. And, if you paid for long-distance service any time after February 28, 2003 and before August 1, 2006, you are eligible for the Telephone Excise Tax Refund. You can claim a standard amount of \$30 to \$60, or you can claim the actual amount paid (only the tax on long-distance, not the full amount of your phone bill). If you file a regular tax return, there is a special line to claim the telephone excise tax refund (line 71 on Form 1040). If you don't need to file a regular return, you can use Form 1040EZ-T to claim the telephone tax refund. Form 8913 is attached to the return if you claim the actual tax paid, instead of the standard amount of the telephone tax refund.

How does combat pay affect the Earned Income Tax Credit (EITC)?

The EITC is a refundable credit that is available to qualified people who are working but not making high incomes. A refundable credit will reduce the amount of tax to be paid and can also mean a refund. When calculating the EITC, the taxpayer has the option of including combat zone tax excluded pay (CZP) as earned income, or not. Including CZP to figure the EITC does not mean the member must pay tax on that pay; it just means the EITC is figured on a larger amount of earned income, which can sometimes result in a higher credit. Taxpayers who are eligible for the EITC should figure the credit both with and without the combat zone tax, then use the method that gives the largest EITC amount. It is an all or nothing option: either all the non-taxable CZP is included, or none. If used to calculate the EITC, the amount of CZP goes on Form 1040, line 66b.

The maximum EITC for 2006 is:

With no children - \$412

With one child - \$2,747

With 2 or more children - \$4,536

Will combat pay affect the Child Tax Credit?

The Additional Child Tax Credit (ACTC) is another refundable tax credit for people with earned income whose total tax was lower than their basic Child Tax Credit. Combat zone tax excluded pay (CZP) is always added to earned income when figuring the ACTC and may increase amount of credit received. Again, the CZP is not taxed but is just used to increase the earned income amount used to calculate the credit. The maximum ACTC for 2006 is \$1000 per child. The amount of the CZP goes on Form 8812, line 4b.

Can I still put money into an Individual Retirement Account (IRA) if most of my wages were non-taxable combat pay?



Yes. Non-taxable combat pay is now considered "compensation" (earned income) when figuring how much can be contributed to a traditional or Roth IRA. You cannot contribute more than your compensation or \$4,000 (\$5,000 if you're 50 or older) – whichever is smaller. For a married couple filing a joint return, each spouse can contribute up to \$4000 (\$5000 if 50 or older) as long as their combined compensation is at least as great. The law allowing non-taxable combat pay to be considered compensation is retroactive to tax year 2004.

For more information you can go to Publication 3 available at the IRS website at www.irs.gov or by calling 1-800-Tax-Form (1-800-829-3676) to order the publication.



Pub 4268 Employment Tax Desk Guide for Indian Tribal Governments

Our on-line Employment Tax Desk Guide was updated in October 2006. You can download this comprehensive guide from a link on our landing page at www.irs.gov/tribes.

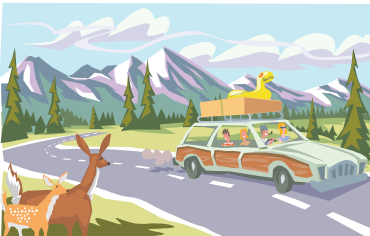


Pub 3151-A

Understanding Federal Tax Deposits

can be download from
www.irs.gov/pub/irs-pdf/p3151a.pdf

Mileage Allowance Increase



The Internal Revenue Service has issued the 2007 optional standard mileage rates used to calculate the deductible costs of operating an automobile for business. This is important to employers, such as tribes, since it is the same rate that can be used for reimbursement to employees who incur mileage for their employer and are under an Accountable Plan.

Beginning January 1, 2007, the standard mileage rates for the use of a car (including vans, pickups or panel trucks) is **48.5 cents per mile**. The new rate for business miles compares to a rate of 44.5 cents per mile for 2006. The primary reasons for the higher rate were higher prices for vehicles and fuel during the year ending in October. The standard mileage rate is based on an annual study of the fixed and variable costs of operating an automobile. Runzheimer International, an independent contractor, conducted the study for the IRS. Revenue Procedure 2006-49 contains additional information on these standard mileage rates.

Questions concerning Accountable Plans can be directed to your ITG Specialist.

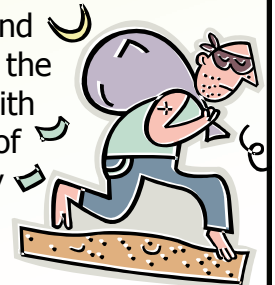
Reporting Abuses/Schemes

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 our ITG Abuse Detection and Prevention Team at:

(716) 686-4860

or

tege.itg.schemes@irs.gov





April 24th and 25th



April 26th and 27th



April 2007 Training in Anchorage

Registration for the April 24/25 and April 26/27 classes has closed.

All seats have been reserved.

Any further inquiries will be added to our
Stand-by list.

If you have a confirmed reservation but later discover that you cannot attend, please let us know as soon as possible so we can fill the vacant seat with someone from our Stand-by list.

The Office of Indian Tribal Governments (Internal Revenue Service) is holding two identical Employment Tax Workshops in Anchorage on--

Tuesday and Wednesday, April 24 and 25, 2007

and

Thursday and Friday, April 26 and 27, 2007.

The training will be held in Room 210 (2nd floor) at the IRS offices at
949 East 36th Avenue, Anchorage.

Class times are from
8:30am – 4:30pm.

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
- Pull tab and gaming excise tax filing requirements

If you have a questions about the training, please contact Judy Pearson via phone, fax, or e-mail at

Phone (907) 271-6949

Fax (907) 271-6664

Judy.M.Pearson@irs.gov

Federal Tax Calendar for Second Quarter 2007

April 2007

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

May 2007

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

* = 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.



June 2007

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

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

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

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

Return Filing Dates

April 2nd

- > If filing electronically, file all Forms W-2, W-2G, 1099, and Form 8027 for 2006. Otherwise the due date was 2/28.
- > File Form 730 and pay the tax on applicable wagers accepted during February.

April 30th

- > File Form 730 and pay the tax on applicable wagers accepted during March.
- > File Form 941 for the 1st quarter of 2006. If all deposits paid on time and in full, file by May 10th.

May 31st

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

July 2nd

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

ITG Area Contacts

Alaska, Idaho, Oregon, Washington

ITG Specialists for the Pacific Northwest

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Joe Kincaid, Manager	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
- **Write:** Internal Revenue Service
Indian Tribal Governments SE:T:GE:ITG
1111 Constitution Ave., NW
Washington, DC 20224