

# ITG News



Keeping First Nations Informed

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## Message from the Director

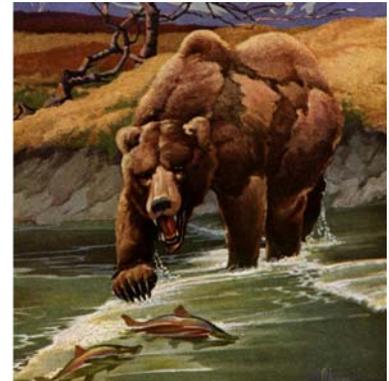
As we begin the final quarter of the federal government's 2008 fiscal year, our office is undertaking our annual Customer Satisfaction Survey. This will be our sixth year for the survey, which is a valuable tool that helps us better understand the federal tax administration needs of Indian tribal governments.

I want to take this opportunity to communicate how strongly I feel about the survey and how important the results are in the formulation of future activities. In each of the prior 5 years, we have convened a team to analyze the feedback. We have developed specific actions to address the concerns raised, and we have reinforced existing actions where the respondents indicated a high level of satisfaction. While we always seek opportunities for improvement, we also recognize that we need to maintain those areas that appear to be working well.

Each year we have posted the results of the survey to the ITG web site at [www.irs.gov/tribes](http://www.irs.gov/tribes) and have used ITG News as the mechanism to share the changes we have implemented based on survey feedback. One of the major issues surfaced last year was a need for improved federal tax information for tribal members. While their tax issues are the purview of other IRS operating divisions, we are taking specific steps to assist in this area including the creation and issuance of a primer on Individual Indian Issues which was sent to each tribe via CD-Rom. We also distributed flyers, envelope stuffers, posters, and Public Service Announcements on the Economic Stimulus payments. We are currently working to get improved information on tribal member tax issues to the VITA sites that service tribal areas.

The 2008 Customer Satisfaction Survey is currently in the mail to each tribe. I urge you to complete and return it in the postpaid envelope as soon as possible. All responses are anonymous unless you choose to identify yourself, but your feedback is invaluable to us. As always, we will publish a summary of the results as well as a listing of activities we will undertake to further improve our performance. I want to thank everyone in advance for their participation in this vital process.

Christie Jacobs



*....your feedback is invaluable to us.....*

IN THIS ISSUE	
Message from the Director	1
Consultation Procedures	2
Deterring Theft of Tribal Funds	3
Successful Training in Anchorage	4
Pull Tab Sales	5
Bonuses - Tax Treatment	6
Retirees and Disabled Veterans should File for Stimulus Payments	7
Do You Owe Money to the IRS?	8
Tax Calendar for the 3rd Quarter 2008	9/10
ITG Specialists for Alaska	11



## Consultation Procedures

As most everyone is aware, federal agencies are required to consult with tribes on issues that primarily affect them. In order to ensure that the IRS is in conformance with this requirement, we have developed procedures that spell out how we will implement the requirement. This was done with substantial input of tribal representatives, and has a two-pronged approach.

First, we have open “listening meetings” four times per year, on a rotating basis throughout each of the regions of the Bureau of Indian Affairs. These meetings are advertised via ITG News, as the headline on the ITG Internet page at [www.irs.gov/tribes](http://www.irs.gov/tribes), and via a direct mailing to each tribal leader in the area where a meeting is scheduled. These meetings represent an opportunity for the IRS to share information on current and pending events, but more importantly are a venue for tribes to raise their questions, concerns, and suggestions. Our next scheduled meeting is planned for Billings, Montana on August 14<sup>th</sup> between 1:00 and 4:00pm.

The second component of our Consultation procedures involves the opportunity for tribes to request ad hoc discussions with the IRS on any specific issue that they wish to raise. This can be done via a telephone call to ITG Director Christie Jacobs at 202-283-9800, or via an e-mail link on the Consultation web page at [www.irs.gov/tribes](http://www.irs.gov/tribes).

To date, we have met with over 250 tribal representatives through these procedures, and the feedback has been invaluable. Please watch future editions of ITG News, as well as the ITG web site, for information on future meetings.

### Self-Assess Your Federal Tax Compliance Risks

Tribal entities can now self-assess their federal tax compliance and work with ITG to address any problems they uncover. Entities electing to participate receive a fillable template from ITG and are provided with the name of a local ITG Specialist who will serve as their resource during the process.

Information on the program, as well as an on-line request form, is available through the “Self Assess Tribal Tax Compliance” link on the right-hand of the ITG web site landing page at [www.irs.gov/tribes](http://www.irs.gov/tribes), or you can make an inquiry about the program via e-mail to [tege.itg.tefac@irs.gov](mailto:tege.itg.tefac@irs.gov).

### Want to Avoid Penalties?

Are you incurring penalties? Do you want to eliminate penalties in the future? ITG has a “Helpful Hints to Avoid Penalties” job aid that can assist you. It’s available by ordering our “Tax Tools for Tribes” CD-Rom via e-mail at [ITG.TaxTools@irs.gov](mailto:ITG.TaxTools@irs.gov).



## Deterring Theft of Tribal Funds

As tribal economies continue to evolve and expand, many tribes are involved in multi-million dollar projects. These projects are very diverse and range from construction of new gaming facilities, to formation of manufacturing entities, to development of wind energy farms. As we visit tribal homelands, it is always encouraging to see development and listen to the hope it brings to tribal members.

At the same time, these economic projects bring great risk to the tribe as well. All ventures carry the inherent risk that the return on the investment may not be as high as projected, or that external factors may adversely affect the marketplace after the development is completed. Of equal importance is the risk to tribal finances that can occur during the project development process or through contracting for operation of the development once it is functioning.

We recently completed action on a case where several individuals diverted loan proceeds which the tribe had borrowed to aid in a casino development project. Since the overall project required the tribe to borrow in excess of \$10 million, the \$300,000 diverted by these individuals was not immediately noticed. The three perpetrators used the money for personal purposes while the tribe repaid the debt as part of its overall loan obligation without realizing that they had lost the use of the money.

When adequate internal controls are lacking, it becomes too easy for an unscrupulous individual to divert tribal funds for an unintended use. The scheme can be covered up through mechanisms such as false invoicing – billing for services never performed, ghost employees – payroll checks to fictitious individuals, or petty cash fund payments for goods never actually acquired. There are any number of ways someone can cover their tracks by creating false records which appear credible at first glance.

In the end, the lack of adequate internal controls always costs a tribe money, and funds that should be used for programs for tribal members end up personally benefiting someone who has found a loophole in the system.

How do you prevent this? First, tribes need to ensure that they have in-depth internal controls so no one individual controls both the receipt and expenditure of money. Second, annual audits are essential, both to identify problems and to ensure potential perpetrators are aware that records will be reviewed. Last, when you uncover misuse of tribal funds for someone's personal gain, contact ITG so that we can pursue the tax consequences to the individual.

Deterring individuals from attempting to personally gain at the expense of the tribe starts with having procedures in place to increase the likelihood they may be caught and ends with a commitment that the tribe will do whatever it can to ensure the perpetrator pays for their illicit gain.

### 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, you can contact the 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).



## Successful Training in Anchorage

Recently, the office of Indian Tribal Governments (ITG) held three different Employment Tax Workshops in the Anchorage office of the Internal Revenue Service. Originally, a single 2½-day class was offered for April 15<sup>th</sup>, 16<sup>th</sup>, and 17<sup>th</sup>. The response was so great that the class filled up quickly. We then offered a second 2½-day class for April 22<sup>nd</sup>, 23<sup>rd</sup>, and 24<sup>th</sup>. When this second class also filled up, a third class was offered for April 29<sup>th</sup>, 30<sup>th</sup>, and May 1<sup>st</sup>.

Over the three different sessions, eighty-nine (89) individuals attended. From these eighty-nine attendees, forty-six (46) different tribal governments were represented by 63 attendees. Also represented were four regional nonprofits (8 attendees), six cities (7 attendees), one borough (2 attendees), three village corporations (4 attendees), and the State of Alaska Division of Community & Regional Affairs (2 attendees).



Picture of attendees during April class.



Picture of attendees during April class.

Feedback from the participants was very favorable. ITG Specialists Mary Jo Audette, Diane Nesvick, and Judy Pearson presented the workshop and covered topics that included:



Picture of attendee.

- 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

The State of Alaska Department of Labor and Workforce Development provided two guest speakers who discussed employment issues related to State of Alaska filing requirements and how to file online. Meanwhile, the State of Alaska Division of Community & Regional Affairs provided a speaker who explained the Rural Utility Business Advisor (RUBA) Program and its role in rural Alaska.

We plan to offer similar training in Anchorage every Spring. So keep a reminder on your calendar if you would like to attend.

See page 11 for a notice of a December workshop in Fairbanks.



## Pull Tab Sales Tribe's and Seller's Filing Requirements

Tribes selling pull tabs are required to file two types of returns - **(1)** Form 11-C *Occupational Tax and Registration Return for Wagering* and **(2)** Form 730 *Monthly Tax Return for Wagers*. Persons selling pull tabs on the tribe's behalf are also required to file a Form 11-C.

Form 11-C is an **annual** return which applies to persons selling pull tabs whether they receive compensation or are volunteers. Both the tribal government and **agents** (persons who sell pull tabs on behalf of the tribe) must file Form 11-C to register and to pay the occupational tax before wagers are accepted and annually thereafter. Generally, the amount of the occupational tax is \$50 per year per person.

The agent has a unique Employer Identification Number (EIN) for purposes of the Form 11-C Occupational Tax. Even though the tribe typically prepares the Form 11-C for the agent and pays the \$50 fee on the agent's behalf, the agent is required to sign the return. A copy of this return should be given to the agent for their records.

Once Form 11-C returns stop being filed under the agent's EIN, he/she may receive Notice CP 515 requesting a Form 11-C for tax period 07-01-200X. If the agent is no longer selling pull tabs, he/she should respond to the notice with the statement "The last month I sold pull tabs for XYZ Tribe was MM/YYYY. I do not have a filing requirement for the period listed." Of course, if the agent is still selling pull tabs, a return must be filed for the missing period.

Form 11-C has an unusual due date in that it is due the first day of the fiscal year, and the year runs from July 1st through June 30th. As such, the due date for Form 11-C for the tribe and any active agents for the period starting July 1, 2008 and ending June 30, 2009 is **July 1, 2008**.

Form 730 *Monthly Tax Return for Wagers* is a **monthly** return that must be filed by the last day of the month following the month for which taxable wagers are reported. The wagering (gambling) tax is imposed on gross wagers (pull tab sales) received and is based on the total amount received before any payout of prizes or other expenses. Playbacks must also be included as "gross" pull tab sales. If the wager is authorized under the law of the state in which it is accepted, the rate of tax is 0.25 percent of the amount of the wager. Thus, if the gross wagers (pull tab sales) for the month are \$30,000, the tax is \$75.00 ( $\$30,000 \times .0025$ ).

If your tribe is selling pull-tabs and needs further information, please contact one of the Specialists listed on page 11.

Remember, if your tribe sells pull tabs, Form **11-C** must be filed by the tribe and any "agents" who sell pull tabs for the tribe. Due date is July 1st.

Form 730 must also be filed each month.





## Bonuses - Tax Treatment

Bonuses that the tribe pays an employee are includable in the employee's income and are shown as wages on the Form W-2. If the bonuses are paid to the employee in the form of goods or services, the fair market value of the goods or services will be added to the employee's income.

Bonuses are considered supplemental wages paid in addition to the employee's regular wages. How you withhold on bonuses depends on whether the bonus is identified as a separate payment from regular wages.

### Bonus Combined with Regular Wages

If you pay bonuses with regular wages but do not specify the amount of each, withhold income tax as if the total were a single payment for a regular payroll period.

### Bonus Identified Separately from Regular Wages

If you pay bonuses separately (or combine them in a single payment and specify the amount of each), the income tax withholding method depends partly on whether you withhold income tax from your employee's regular wages.

If you **withheld** income tax from an employee's regular wages, you can use one of the following methods for the bonus:

- a) Withhold a flat 25% (no other percentage allowed).
- b) Add the bonus and regular wages for the most recent payroll period this year.
- c) Figure the income tax withholding as if the total were a single payment. Subtract the tax already withheld from the regular wages. Withhold the remaining tax from the bonus.

If you **did not withhold** income tax from the employee's regular wages, use method **b** above. (This would occur, for example, when the value of the employee's withholding allowances claimed on Form W-4 is more than the wages.)

Regardless of the method you use to withhold income tax on bonuses, they are subject to social security, Medicare, and FUTA (if applicable) taxes.

### EXAMPLE 1

You pay Sharon a base salary on the first of each month. She is single and claims one allowance. Her July 1, 200X, pay is \$2,000. Using the current wage bracket tables, you withhold \$200. On July 15, 200X, you pay Sharon a bonus of \$2,000. Electing to use supplemental payment method **b**, you:

- 1) Add the bonus amount to the amount of wages from the most recent pay date  
(\$2,000 + \$2,000 = \$4,000).
- 2) Determine the amount of withholding on the combined \$4,000  
(\$613 using the wage bracket tables).
- 3) Subtract the amount withheld from wages on the most recent pay date from the combined withholding amount (\$613 - \$200 = \$413).
- 4) Withhold \$413 from the bonus payment.

### EXAMPLE 2

The facts are the same as in the above example, except that you elect to use the flat rate method of withholding on the bonus. You withhold 25% of \$2,000, or \$500, from Sharon's bonus payment.



## Individual Tax Issues

### IRS Wants Retirees and Disabled Veterans to File for Their Economic Stimulus Payments

The IRS announced a new summer campaign to reach those retirees and disabled veterans who qualify for the economic stimulus payment but have not filed to claim it. New statistics released indicate about 74 percent in this group are accounted for in the stimulus payments currently being sent, leaving about 5.2 million potential recipients remaining.

Later this summer, the IRS will send these potential recipients a special letter that explains stimulus payment eligibility and how to claim it. The letter will include a sample tax form and an actual tax form that people can complete and mail to the IRS. This will be the second special mailing to reach those individuals.

The Economic Stimulus Act of 2008 provides for people who have no tax liability or no tax filing requirement, there is a minimum payment of \$300 (\$600 for married couples), plus the \$300 for each qualifying child. To be eligible for the minimum payment, individuals must have at least \$3,000 in qualifying income. Qualifying income includes any combination of earned income, nontaxable combat pay and certain benefit payments from Social Security, Veterans Affairs and Railroad Retirement. The types of Social Security benefits that are considered qualifying income include retirement, disability and survivor payments. Supplemental Security Income (SSI) is not qualifying income. The types of Veterans Affairs benefits that are considered qualifying income include disability compensation, disability pension and survivor payments. Qualifying Railroad Retirement payments include the social security equivalent portion of Tier 1 benefits.

People filing only to receive a stimulus payment can file their own return electronically by using IRS Free File – Economic Stimulus Payment, also available at [www.irs.gov](http://www.irs.gov). This program provides free software and free electronic filing of Form 1040A, and it remains open until October 15. A select number of volunteer tax assistance sites in local communities may also remain open providing free help. Call **Alaska211** at 1-800-478-2221 to find the nearest volunteer tax assistance site.

Don't be left out. With qualifying income, be sure to file a tax return by October 15, 2008 to receive the economic stimulus payments.

For more information about the stimulus payment, visit the IRS web site at [www.irs.gov](http://www.irs.gov). To reach the genuine IRS Web site, be sure to use .gov. Don't be confused by internet sites that end in .com, .net, .org or other designations instead of .gov.

#### Payments in Progress

Economic stimulus payments will continue on a weekly basis through July. The last two-digits of your Social Security number and whether you opted for direct deposit into your financial account or a paper check will determine when you receive your payment. If you have any questions about your payment, call the toll-free Rebate Hotline at **1-866-234-2942**.



## Individual Tax Issues

### DO YOU OWE MONEY TO THE IRS?

The vast majority of Americans get a tax refund from the IRS each spring, but what do you do if you are one of those who have received a tax bill? What do you do if you owe money to the IRS and can't pay?

Interest and penalties begin accruing if the full payment is not made on the due date, so it's better to pay as much as you can as soon as you can, instead of waiting until you can pay the full amount.

You can pay part or all of the balance owed by credit card, electronic funds transfer, check, money order, cashier's check, or cash. To pay by credit card contact either Official Payments Corporation at 800-2PAYTAX ([www.officialpayments.com](http://www.officialpayments.com)) or Link2Gov at 888-729-1040 ([www.pay1040.com](http://www.pay1040.com)). These companies will charge you a "convenience fee" in addition to the tax amount.

To pay using electronic funds transfer, you can take advantage of the Electronic Federal Tax Payment System (EFTPS) by calling 800-555-4477 or 800-945-8400 (also [www.eftps.gov](http://www.eftps.gov)).

An installment agreement may be requested if you cannot pay the liability in full. This is an agreement between you and the IRS for the collection of the amount due in monthly installment payments. To be eligible for an installment agreement you must first file all returns that are required and be current with estimated tax payments.

If you owe \$25,000 or less in combined tax, penalties, and interest, you can request an installment agreement using the web-based application, Online Payment Agreement (OPA), found on the Internet at [IRS.gov](http://IRS.gov). Or, you can complete and mail an IRS Form 9465, Installment Agreement Request, along with your bill in the envelope that you have received from the IRS. The IRS will inform you within 30 days whether your request is approved, denied, or if additional information is needed. If an agreement is approved, a one-time user fee will be charged.

For more information about installment agreements and other payment options visit the IRS Web site at [www.irs.gov](http://www.irs.gov) or call 1-800-829-1040.

#### Scam e-Mails or Phone Calls

The IRS warns taxpayers to be on the alert for e-mails and phone calls they may receive which claim to come from the IRS or other federal agency and which mention their tax refund or economic stimulus payment. These are almost certainly a scam whose purpose is to obtain personal and financial information - such as name, Social Security number, bank account and credit card or even PIN number - from taxpayers which can be used by the scammers to commit identity theft. The emails and calls usually state that the IRS needs the information to process a refund or stimulus payment or deposit it into the taxpayer's bank account. The e-mails often contain links or attachments to what appears to be the IRS Web site or an IRS "refund application form." However genuine in appearance, these phonies are designed to elicit the information a scammer is looking for.

The IRS does not send taxpayers e-mails about their tax accounts. Additionally, the only way to get a tax refund or stimulus payment, or to arrange for a direct deposit, is to file a tax return.



# Federal Tax Calendar for Third Quarter 2008

## July 2008

Sun	Mon	Tue	Wed	Thu	Fri	Sat
		1 <i>File Form 11-C for the annual Occupational tax</i>	2 * make a deposit for 6/25-6/27	3	4	5
6	7 * make a deposit for 6/28-7/1	8	9 * make a deposit for 7/2-7/4	10 Employees report June tip income to employers if \$20 or more	11 * make a deposit for 7/5-7/8	12
13	14	15 ** make a deposit for June if under the monthly deposit rule	16 * make a deposit for 7/9-7/11	17	18 * make a deposit for 7/12-7/15	19
20	21	22	23 * make a deposit for 7/16-7/18	24	25 * make a deposit for 7/19-7/22	26
27	28	29	30 * make a deposit for 7/23-7/25	31 <i>Form 730 due for June Pull Tab sales</i> <i>File Form 941 the 2nd calendar quarter of 2008</i>		

## August 2008

Sun	Mon	Tue	Wed	Thu	Fri	Sat
					1 * make a deposit for 7/26-7/29	2
3	4	5	6 * make a deposit for 7/30-8/1	7	8 * make a deposit for 8/2-8/5	9
10	11 Employees report July tip income to employers if \$20 or more	12	13 * make a deposit for 8/6-8/8	14	15 * make a deposit for 8/9-8/12 ** make a deposit for July if under the monthly deposit rule	16
17	18	19	20 * make a deposit for 8/13-8/15	21	22 * make a deposit for 8/16-8/19	23
24	25 <i>Form 730 for July Pull Tab sales due September 2.</i>	26	27 * make a deposit for 8/20-8/22	28	29 * make a deposit for 8/23-8/26	30
31						

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

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

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



# September 2008

Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2		4 * make a deposit for 8/27-8/29	5 * make a deposit for 8/30-9/2	6
7	8	9	10 * make a deposit for 9/3-9/5 * Employees report August tip income to employers if \$20 or more	11	12 * make a deposit for 9/6-9/9	13
14	15 ** make a deposit for August if under the monthly deposit rule	16	17 * make a deposit for 9/10-9/12	18	19 * make a deposit for 9/13-9/16	20
21	22	23	24 * make a deposit for 9/17-9/19	25	26 * make a deposit for 9/20-9/23	27
28	29	30				

File Form 730 for  
wagers received  
during July

File Form 730 for  
wagers received  
during August

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

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

## Return Filing Dates

### July 1st

- > File Form 11-C to register and pay the annual tax if you are in the business of taking wagers

### July 31st

- > File Form 941 for the 2nd quarter of 2008. If all deposits are paid on time and in full, file by August 11th.
- > File Form 730 and pay the tax on applicable wagers accepted during June.

### September 2nd

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

### September 30th

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



## Indian Tribal Government (ITG) Specialists for Alaska

<u>name</u>	<u>location</u>	<u>phone/fax</u>	<u>e-mail</u>
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<b>Diane Nesvick</b>	Anchorage	Ph 907-271-6917 Fax 907-271-6664	Diane.M.Nesvick@irs.gov
<b>Joe Kincaid</b> <b>Manager</b>	Portland	Ph 503-326-2381 Fax 503-326-7441	Joe.Kincaid@irs.gov
<b>Customer Service</b>		Ph 877-829-5500	
<b>Web site</b>		<a href="http://www.irs.gov/tribes">www.irs.gov/tribes</a>	

### December 2008 Training in Fairbanks

**Tanana Chiefs Conference**  
will be sponsoring an  
Employment Tax Workshop in Fairbanks  
on December 15 - 17, 2008  
at the Chena River Convention Center.  
Presenter will be from the IRS's Office of Indian Tribal Governments.

More information to follow in the October edition of ITG New.