



ITG News

Keeping First Nations Informed



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Message from the Director

As we begin the start of the federal government's 2007 fiscal year, our office is undertaking our annual Customer Satisfaction Survey. This is our fourth 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. Our initial survey in 2003 showed a strong overall level of satisfaction but clearly demonstrated some differences between geographic areas. We were able to follow-up and determine that the feedback from those tribes related primarily to problems involving accessibility of information, and we developed alternative means of service delivery to meet their needs.

Our second annual survey in 2004 yielded feedback that related to the lack of adequate ITG staffing in the Pacific Northwest and navigational confusion with the landing page of our web site. We were able to address the staffing concern by hiring two additional ITG Specialists in Washington and Alaska, as well as relocating the area manager to Portland as the opportunity arose. We worked diligently to reconfigure the entire structure of our web site to make it easier to locate needed information and more easily navigate between pages. The feedback from the 2004 survey started that process, and the Advisory Committee to the TEGE Commissioner helped us through the process by contributing suggestions and providing feedback on proposed changes.

The 2005 Survey showed concerns about penalties and, in particular, a need for ITG to do more to assist tribes in mitigating them. In response, we created "Helpful Hints to Avoid Penalties" and posted it on our web site. The survey results also expressed a need for the IRS to do more to assist on tribal member issues, and we are currently developing a "primer" to help individuals, tax practitioners, and IRS employees better understand many of the unique federal tax issues that affect tribal members.

The 2006 Customer Satisfaction Survey was mailed to each tribe in late September. If you received it, 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



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Excise Tax on Abusive Transactions

Although it is rare, the IRS has encountered situations where Indian tribes and other non-tax entities have become involved in tax shelter transactions. One of the major inducements was that a non-tax entity bore little risk, since they did not file an income tax return where their participation had to be disclosed, and there was no penalty for their participation/facilitation. This concern was recently addressed by Congress in the enactment of section 4965 and related provisions which were signed into law May 17, 2006. This section imposes disclosure rules, taxes, and penalties with respect to non-tax entity participation in prohibited tax shelter transactions. While the impact and rules relating to these new provisions are still evolving, Tribes need to be aware that there is now a major risk to participating in tax shelters.

The new provisions require non-tax entities (broadly defined to include employee plans, other deferred compensation and retirement plans including self-directed IRAs, and governmental units as well as exempt organizations) to report to the IRS their participation in any prohibited tax shelter transaction and the identity of other parties to the transaction. A new penalty under section 6652(c)(3) applies to the non-tax entity for failure to make the required disclosure. The IRS may make a written demand for the disclosure, and an additional penalty applies for failure to comply.

Non-tax entities described in section 501(c) and (d), governmental entities described in section 170(c), and Indian tribal governments must also pay excise taxes imposed by new section 4965. The tax is increased if the entity knew or had reason to know that the transaction was prohibited. "Entity managers" that approve the participation must also pay a tax if they knew better (or had reason to know). Under new section 6011 (g), taxable parties to the transaction must disclose to the participating tax-exempt entity that the transaction is a prohibited tax shelter transaction. Prohibited tax shelter transactions are listed transactions under section 6707A(c)(2), and confidential transactions, and transactions with contractual protection that are reportable transactions under section 6707A(c)(1). The effective date imposes excise tax on income or proceeds allocable to periods after August 15, 2006.

If you are contacted by a promoter encouraging your participation in a scheme that appears highly questionable, you should first seek a clear prospectus of the transaction and, also, ask yourself if the specific investment is the type of enterprise customary to a government. If you believe the venture is suspect, please contact ITG via e-mail at tege.itg.schemes@irs.gov or via mail at IRS-Indian Tribal Governments, Box 227, Buffalo, New York 14225.

BIA Provider's Conference Workshops

The Office of Indian Tribal Governments
has been scheduled to present two employment tax workshops at the
BIA Provider's Conference on:
Tuesday, November 28th
Wednesday, November 29th

Treasury Issues Advance Notice of Proposed Rulemaking on Definition of Essential Governmental Function for Indian Tribal Governments under Section 7871

The Department of the Treasury and IRS Counsel have issued an Advanced Notice of Proposed Rulemaking that applies to Indian Tribal governments and to State and local governments that issue bonds for the benefit of Indian tribal governments. This proposed rule addresses the definition of an "essential governmental function" under section 7871(c) of the Internal Revenue Code and the limitation of that term to activities customarily performed by State and local governments for purposes of section 7871(e) of the Internal Revenue Code. The IRS has become aware of an increasing number of instances in which taxpayers have raised questions about the application of section 7871(e). Accordingly, the Treasury Department and the IRS have determined to seek public comment in advance of drafting proposed regulations in this area. Public comments may be made regarding the proposed standard, as outlined at the end of this article.

Section 7871(a)(4) of the Internal Revenue Code of 1986 provides that an Indian tribal government is to be treated as a State "subject to subsection (c), for purposes of section 103 (relating to State and local bonds)." Section 7871(c)(1) provides that "section 103(a) shall apply to any obligation (not described in paragraph (2)) issued by an Indian tribal government (or subdivision thereof) only if such obligation is part of an issue substantially all of the proceeds of which are to be used in the exercise of any essential governmental function." Section 7871(e) provides that "for purposes of this section, the term 'essential governmental function' shall not include any function which is not customarily performed by State and local governments with general taxing powers."

The Treasury Department and the IRS anticipate that the proposed regulations will provide that for purposes of section 7871(c) and section 7871(e), an activity will be considered an essential governmental function that is customarily performed by State and local governments if: (1) there are numerous State and local governments with general taxing powers that have been conducting the activity and financing it with tax-exempt governmental bonds, (2) State and local governments with general taxing powers have been conducting the activity and financing it with tax-exempt governmental bonds for many years, and (3) the activity is not a commercial or industrial activity. The proposed regulations will further provide that examples of activities customarily performed by State and local governments include, but are not limited to, public works projects such as roads, schools, and government buildings.

Before the notice of proposed rulemaking is issued, consideration will be given to any written comments that are submitted timely (preferably a signed original and eight (8) copies) to the IRS. All comments will be available for public inspection and copying.

Written or electronic comments must be submitted by **November 7, 2006**, to:

Internal Revenue Service
PO Box 7604
CC:PA:LPD:PR (REG-118788-06) Room 5203
Ben Franklin Station
Washington, DC 20044

Submissions may be sent electronically, via the IRS Internet site at <http://www.irs.gov/regs> or via the Federal e-Rulemaking Portal at <http://www.regulations.gov> (indicate IRS and REG-118788-06).



ITG and Justice Work to Shut Down an Abusive Scheme

ITG continues to pursue promoters of abusive schemes that not only are contrary to federal tax law, but also often deprive tribes and tribal members of the financial resources from gaming and other tribal economic ventures. A recent example of these efforts surfaced in early August when the Department of Justice filed suit against two accountants for allegedly running a fraudulent scheme involving improper deferrals of per capita distributions from casino gaming profits. The lawsuit alleges that the accountants, Kenneth Sorenson and Stephen Drake, received significant fees from members of a tribe who participated in the alleged scheme.

The lawsuit seeks a permanent order to halt Drake and Sorenson from continuing to execute their "tax deferral plan." The suit notes that they are officers of Benecorp LLC, a company devoted to providing financial counseling to Native American tribes and members. The tax plan, which they currently call CapNet 7, has been promoted within Indian country since at least 2003. While it had been heavily marketed in articles written for magazines and at trade shows in Las Vegas and Palm Springs, few tribes had expressed interest. Drake is reportedly a "silver member" of the California Nations Indian Gaming Association, which may have helped him gain access and credibility for the program.

The Justice Department lawsuit states that the Benecorp scheme used "sham entities and sham transactions" to create a circular flow of funds. The tribe involved has cooperated with the IRS during the investigation.

If you are aware of similar potentially abusive schemes, please contact ITG either via e-mail at tege.itg.schemes@irs.gov or by writing to us at:

IRS – Indian Tribal Governments
Box 227
Buffalo, New York 14225

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.





Pension Bill Affects Indian Tribal Government Plans

As many of you may be aware, there has been ongoing disagreement over the need for Tribes to file Form 5500 for their pension and retirement plans. While existing law exempted “governmental plans” from filing, the law did not include tribes in the definition of that term in the pension statute. There were ongoing attempts to remedy the matter by seeking to expand the definition to include Indian Tribal governments. In the interim, the IRS made an administrative decision to forego significant enforcement action pending clarification by Congress.

The issue was recently addressed as part of the major pension reform bill that President Bush signed into law in August. Although most Tribes were seeking to obtain full parity with other governmental entities, the final legislation added a limitation on tribal entities by stating that the term “governmental plan” includes a plan which is established and maintained by an Indian tribal government, a subdivision of an Indian tribal government, or an agency or instrumentality of either, and all of the participants of which are employees of such entity substantially all of whose services as such an employee are in the performance of essential governmental functions but not in the performance of commercial activities (whether or not an essential government function).

This limitation was not anticipated but appears to require the filing of Form 5500 for plans that include any employees involved in casinos or other commercial enterprises.

The IRS is analyzing the overall pension bill. We will continue to post updated information on our web site at www.irs.gov/tribes. Our overall goal is to keep tribal employees covered and transition plans into compliance with new rules.

Revisions to Publication 3908 and Publication 4268



The Office of Indian Tribal Governments has updated Publication 3908 – Gaming Tax Law and Bank Secrecy Act Issues for Indian Tribal Governments. The revised issuance contains updated information on withholding rules and tip compliance and greatly expanded information on the Bank Secrecy Act regulations that impact tribal casinos. The new revision, dated August 2006, can be accessed on-line through our web site at www.irs.gov/tribes, or hard copies can be ordered from the IRS Distribution Center by calling 1-800-829-3676.

We have also updated Publication 4268, the Employment Tax Desk Guide for Indian Tribal Governments. This extensive guide is only available through a download from our web site at www.irs.gov/tribes, but we will provide a copy for your use on a CD-Rom upon request if you contact your local ITG Specialist.

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 “Enhancing Federal Tax Compliance” link on the right-hand of the ITG web site landing page at www.irs.gov/tribes, or you can make a inquiry about the program via e-mail to tege.itg.tefac@irs.gov.

Moving Expenses

Employers may reimburse workers for (or pay directly) the moving costs and other expenses associated with relocating an employee from one location to another.

Employer payments for “**qualified**” moving expenses are excluded from income as Section 132 fringe benefits. Federal income taxes (FIT) and FICA do not have to be withheld. However, the types of expenses that may be paid without being counted as income are limited to the costs of moving household goods and travel to the new location.



Payments related to moving an employee that do not satisfy the definition of “qualified moving expenses” are not Section 132 benefits. They must be included in income and reported as wages, and they are subject to FIT withholding and FICA.

The rules for business expense accountable plans apply to moving expenses. Briefly, that means that the move must be business-related, the expenses must be substantiated, and any excess payments advanced by the employer must be returned to the employer within a reasonable period of time.

If the employer pays a lump sum intended to cover moving costs, does not require substantiation of expenses, and does not require unspent sums to be returned, the moving expense plan is not an accountable one. In that case, the entire lump sum would be included in income, reportable on Form W-2, and subject to employment taxes.

Qualified Moving Expenses

The types of expenses that may be paid as Section 132 benefits because they would be deductible if paid by an individual include **only** the following:

- The reasonable costs of moving household goods and personal effects from the employee's former residence to the new residence; and
- The reasonable costs of travel and lodging from the old location to the new one.

There are no dollar limits on the amount of these expenses that may be excluded from income, other than they must be “reasonable.”

The expenses of the employee and other members of his or her household who lived with the employee at the old residence and will continue living with the employee at the new location are included as qualified moving expenses.

Employer payments for other types of expenses associated with an employee's work-related move are not tax-free. House-hunting trips prior to the actual move, temporary living expenses at the new location, costs associated with selling the old residence (or ending a lease) and purchasing a new residence (or acquiring a new lease), if paid for by the employer, must be included in the employee's income. Moreover, all meal expenses, including those while enroute to the new location, are not excludable as qualified moving expenses.

(Continued on page 7)



(Moving Expenses continued from page 6)

Distance and Time Tests

In order for moving expenses to be deductible and therefore excluded from the employee's income, the change of residence must be closely related in both time and place to the start of work at a new job location.

In general, moving expenses incurred within one year of an employee beginning work at a new location are considered closely related in time. The deduction is permitted even if the individual relocated within a year before securing or beginning new employment.

The newly relocated worker must be employed full-time at the new location for a minimum of 39 weeks during the 12 months immediately following the move.

The distance between the new residence and new work location ordinarily must be less than the distance between the old residence and new work location to satisfy the requirement of being closely related in place to the start of work.

The commuting distance between the employee's former home and new work location must increase by at least 50 miles as measured by the shortest of the most commonly traveled routes.

Reasonable Moving Expenses

Reimbursements for the following expenses associated with an employment-related move may be excluded from income as Section 132 fringe benefits because they would be deductible if the employee had paid the expenses himself. There are no dollar limits on these expenses other than that they are reasonable and substantiated.



- ◆ Transporting household goods and personal effects — The cost of packing, crating, and shipping furniture and other household items and personal effects of the employee and other members of the household is deductible. The cost of shipping automobiles and pets also may be deducted. A deduction is allowed for the expense of storing and insuring items within the 30-day period after moving out of the former home and before delivery to the new residence.

Household members include those people who live with the employee at both the old and new locations. The moving expenses of tenants of employees may not be deducted unless the employee can claim them as dependents.

- ◆ Travel expenses — A deduction may be taken for the cost of transportation and lodging for the employee and household members while traveling from the former home to the new location. The cost of only one trip per person may be deducted; however, all family members are not required to make the trip at the same time.

If travel is by car, actual expenses (such as gas and oil, but not repairs, maintenance, depreciation, or insurance) may be deducted. Alternatively, expenses may be computed at 18 cents per mile driven for 2006 (22 cents per mile for the period September 1, 2005 – December 31, 2005; 15 cents per mile for January 1, 2005 – August 31, 2005), plus tolls and parking fees. The route taken must be the most direct one; side trips for sightseeing or other visits are not deductible.

(Continued on page 8)

(Moving Expenses continued from page 7)

Meals while traveling to the new location are not deductible. Therefore, any employer reimbursement for meal expenses is taxable income to the employee.

Employer reporting and withholding

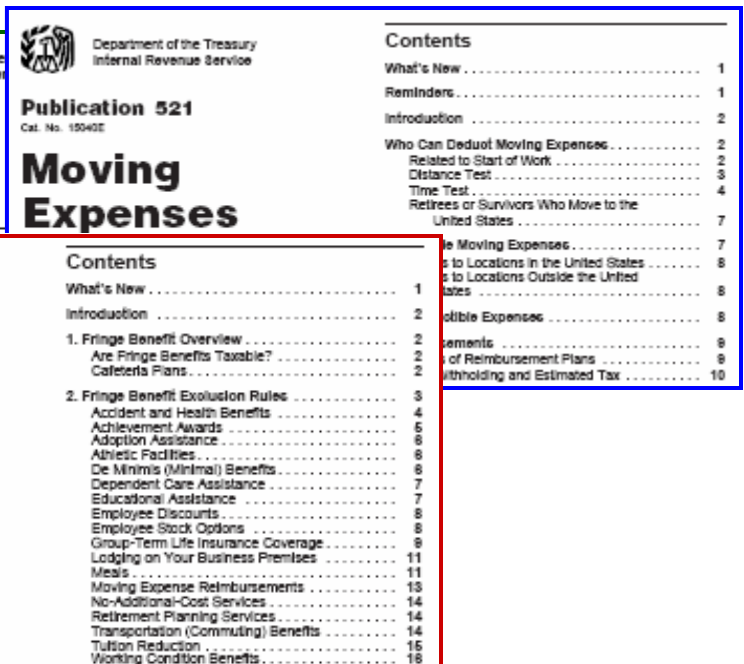
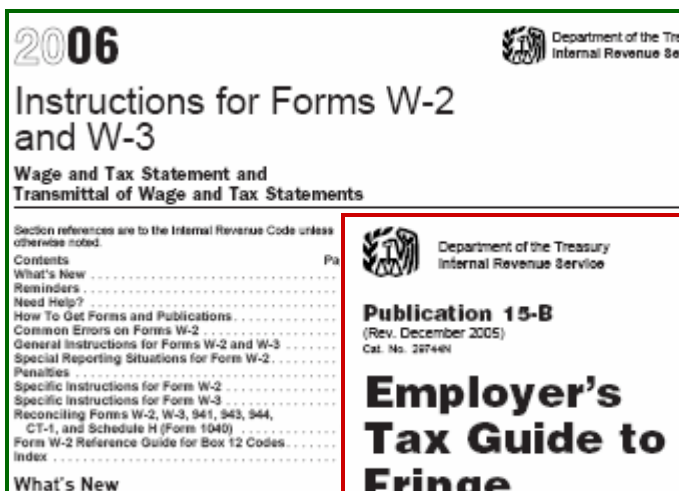
Qualified moving expenses an employer pays to a third party on behalf of the employee (e.g., to a moving company) will not be reported on Form W-2.

Qualified moving expense reimbursements an employer pays directly to an employee will be reported in Box 12 on Form W-2. The payment will be labeled with Code "P" to identify it as a nontaxable reimbursement. The payment will not be included, as wages in Boxes 1, 3, or 5 on the Form W-2 and employment taxes will not be withheld.

Payments for expenses associated with a work-related relocation that **do not** satisfy the definition of a qualified moving expense (e.g., meals or house-hunting trips) will be reported in Box 1 on Form W-2 as wages. Federal income taxes will be withheld and the payments will be subject to FICA. Income taxes may be withheld at the regular wage-withholding rate or at the supplemental wages rate.

For further information, please refer to the following:

1. [Publication 15-B](#), Employers Tax Guide to Fringe Benefits
Page 13, Moving Expense Reimbursements
2. [Publication 521](#), Moving Expenses
Page 9 - 11, Types of Reimbursement Plans
Page 11 - 13, How and When to Report
3. [Instructions for Forms W-2 and W-3](#),
Wage and Tax Statement & Transmittal of Wage and Tax Statements
Page 6, Moving Expenses
Page 12, *Code P—Excludable moving expense reimbursements paid directly to employee*



During 2006, Sally A Director was hired and was advanced \$1,200 for moving expenses. The employer required her to substantiate all her moving expenses. Sally met the 50 mile distance test and provided her new employer with receipts for the cost of moving her household goods from her former residence to her new residence as well as the cost of transportation and lodging incurred while traveling to the new location. Sally met all the rules for a business expense accountable plan. In addition to the advance on moving expenses, Sally was paid \$23,000 in wages for 2006.

a Control number		22222		Void ☐		For Official Use Only ▶ OMB No. 1545-0008	
b Employer identification number (EIN) 92-000000				1 Wages, tips, other compensation 23000.00		2 Federal income tax withheld 1234.00	
c Employer's name, address, and ZIP code XYZ Tribal Council PO Box 321 Village, AK 99999				3 Social security wages 23000.00		4 Social security tax withheld 1426.00	
				5 Medicare wages and tips 23000.00		6 Medicare tax withheld 333.50	
				7 Social security tips		8 Allocated tips	
d Employee's social security number 123-45-6789				9 Advance EIC payment		10 Dependent care benefits	
e Employee's first name and initial Sally A		Last name Director		Suff.		11 Nonqualified plans	
PO Box 456 Village, AK 99999				13 Statutory employee ☐ Retirement plan ☐ Third-party sick pay ☐		12a See instructions for box 12 P 1200.00	
						12b	
						12c	
						12d	
f Employee's address and ZIP code				14 Other			
15 State Employer's state ID number		16 State wages, tips, etc.		17 State income tax		18 Local wages, tips, etc.	
19 Local income tax		20 Locality name					

Form

W-2

Wage and Tax Statement

2006

Department of the Treasury—Internal Revenue Service

For Privacy Act and Paperwork Reduction Act Notice, see back of Copy D

Cat. No. 10134D

Copy A For Social Security Administration — Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable.

- Qualified moving expense reimbursements paid directly to an employee by an employer are reported only in box 12 of Form W-2 with code **P**.

Example 2 Accountable Plan Met

During 2006, Pat Grant was hired and incurred \$1,975 in qualified moving expenses. She was reimbursed \$775 for the cost of transportation and lodging incurred while traveling to the new location. In addition, \$1,200 of moving expenses was paid directly to ACME Van Inc. for the cost of moving her household goods from her former residence to her new residence. The employer required Pat to substantiate all the moving expenses. Pat met the 50 mile distance test and provided her new employer with receipts for the cost of moving her household goods from her former residence to her new residence as well as the cost of transportation and lodging incurred while traveling to the new location. Pat met all the rules for a business expense accountable plan. In addition to her moving expenses being paid directly to ACME Van Inc, Pat was paid \$23,000 in wages for 2006.

All of the \$1,975 of Moving Expenses paid to Pat or on her behalf satisfied the definition of "qualified moving expenses." Even though the \$1,975 was not included on boxes 1, 3, and 5, \$775 is reported in box 12. The \$1,200 payment to ACME Van, Inc. is not reported on the W-2.

a Control number 22222		Void ☐		For Official Use Only ► OMB No. 1545-0008	
b Employer identification number (EIN) 92-000000			1 Wages, tips, other compensation 23000.00		2 Federal income tax withheld 1234.00
c Employer's name, address, and ZIP code XYZ Tribal Council PO Box 321 Village, AK 99999			3 Social security wages 23000.00		4 Social security tax withheld 1426.00
			5 Medicare wages and tips 23000.00		6 Medicare tax withheld 333.50
			7 Social security tips		8 Allocated tips
d Employee's social security number 123-45-6789			9 Advance EIC payment		10 Dependent care benefits
e Employee's first name and initial Pat		Last name Grant	Suff.	11 Nonqualified plans	
f Employee's address and ZIP code PO Box 456 Village, AK 99999			12a See instructions for box 12 P 775.00		
			12b		
			12c		
			12d		
13 statutory employee ☐ Retirement plan ☐ Third-party sick pay ☐					
14 Other					
f Employee's address and ZIP code					
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax
					20 Locality name

Form W-2 Wage and Tax Statement

Copy A For Social Security Administration — Send this entire page with Form W-3 to the Social Security Administration; photocopies are **not** acceptable.

2006

Department of the Treasury—Internal Revenue Service

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Cat. No. 10134D

From Instruction for Forms W-2 and W-3, page 6:

Moving expenses.

- Qualified moving expenses that an employer paid to a third party on behalf of the employee (for example, to a moving company) and services that an employer furnished in kind to an employee are not reported on Form W-2.
- Qualified moving expense reimbursements paid directly to an employee by an employer are reported only in box 12 of Form W-2 with code **P**.

Example 3 Accountable Plan Not Met

During 2006, Billy Administrator is hired and is advanced \$1,200 for moving expenses. The employer does **not** require him to substantiate moving expenses. Billy does **not** provide any receipts for the cost of moving his household goods from his former residence to his new residence or the cost of transportation and lodging incurred while traveling to the new location. Billy has **not** met the rules for a business expense accountable plan. In addition to the advance on moving expenses, Billy was paid \$23,000 in wages for 2006.

None of the \$1,200 of Moving Expenses paid to Billy satisfied the definition of “qualified moving expenses.” The entire \$1,200 is considered taxable wages and is included on boxes 1, 3, and 5; no entry is made box 12.

a Control number		22222		Void ☐		For Official Use Only ▶ OMB No. 1545-0008	
b Employer identification number (EIN)				1 Wages, tips, other compensation		2 Federal income tax withheld	
92-000000				24200.00		1345.00	
c Employer's name, address, and ZIP code XYZ Tribal Council PO Box 321 Village, AK 99999				3 Social security wages		4 Social security tax withheld	
				24200.00		1500.40	
				5 Medicare wages and tips		6 Medicare tax withheld	
				24200.00		350.90	
				7 Social security tips		8 Allocated tips	
d Employee's social security number				9 Advance EIC payment		10 Dependent care benefits	
123-45-6789							
e Employee's first name and initial		Last name		Suff.		11 Nonqualified plans	
Billy A		Administrator				12a See instructions for box 12	
PO Box 789 Village, AK 99999				13 statutory employee Retirement plan Third-party sick pay		12b	
				☐ ☐ ☐		☐	
				14 Other		12c	
						12d	
f Employee's address and ZIP code							
15 State Employer's state ID number		16 State wages, tips, etc.		17 State income tax		18 Local wages, tips, etc.	
						19 Local income tax	
						20 Locality name	

Form W-2 Wage and Tax Statement

Copy A For Social Security Administration — Send this entire page with Form W-3 to the Social Security Administration; photocopies are **not** acceptable.

2006

Department of the Treasury—Internal Revenue Service

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Cat. No. 10134D

From Instruction for Forms W-2 and W-3, page 6:

Moving expenses.

- Nonqualified moving expense reimbursements are reported in boxes 1, 3, and 5 of Form W-2. These amounts are subject to income tax withholding and social security and Medicare taxes.

Farewell to Carol

Carol Czolowski, our ITG Specialist in Ogden, is retiring after more than 30 years of service with the Internal Revenue Service. Her last day of work will be October 13, 2006.



Carol has been a valuable member of our Pacific Northwest Group and will be sorely missed. We want to wish Carol well in her retirement as she relocates to Upstate New York.

Form W-9, Backup Withholding, and Form 945

Purpose of Form W-9. A person who is required to file an information return (Form 1099-MISC) with the IRS must obtain the correct taxpayer identification number (TIN) to report, for example, income paid to a vendor, subcontractor, or nonemployee for services or rent. (A sample Form W-9 can be found on page 17.)

Use Form W-9 to request a correct TIN and when applicable, to:

1. Certify that the TIN you received is correct,
2. Certify that the payee is not subject to backup withholding, or
3. Certify that the payee is a U.S. exempt payee.

Before making any payments for services and/rents, you should request a Form W-9 be completed and signed by all individuals and entities you make payments to for services and rents including but is not limited to:

- An individual who is a citizen or resident of the United States,
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States,
- Any estate (other than a foreign estate) or trust.

Advise foreign persons to use the appropriate Form W-8. See Pub. 515, Withholding of Tax on Non-resident Aliens and Foreign Entities, for more information and a list of the W-8 forms.

Generally, individuals (including sole proprietors) are not exempt from backup withholding. Corporations are exempt from backup withholding for certain payments. The following payments made to a corporation and reportable on Form 1099-MISC are not exempt from backup withholding:

- medical and health care payments,
- attorneys' fees; and
- payments for services paid by a federal executive agency.

You **must** backup withhold on corporations for the above type of payments if you do not have a TIN on file.

(Continued on page 13)



(Form W-9, Backup Withholding and Form 945 continued from page 12)

BackupWithholding. You generally must withhold 28% of payments if the payee **fails to furnish** you with his or her correct taxpayer identification number (TIN). This withholding is referred to as “backup withholding.”

Payments to payees will be subject to backup withholding if the payment exceeds \$600 **and** you do not have their TIN on file **at the time of payment**. If you make multiple payments to the same payee, once the cumulative amount for the year exceeds \$600 you must begin backup withholding at 28% for all subsequent payments until you have a certified TIN on file.

Form 945. If you withhold federal income tax (backup withholding) from nonpayroll payments, you must file Form 945. For 2006, file Form 945 by January 31, 2007. However, if you made deposits on time in full payment of the taxes for the year, you may file the return by February 10, 2007. Your return will be considered timely filed if it is properly addressed and mailed First-Class or sent by an IRS-designated private delivery service on or before the due date. See Publication 15 for further information.

Depositing Withheld Taxes. Deposit all nonpayroll (Form 945) withheld federal income tax, including backup withholding, by using the Electronic Federal Tax Payment System (EFTPS) or by depositing at an authorized institution using Form 8109, Federal Tax Deposit Coupon. **Do not** combine deposits for Forms 941, 943, or CT-1 with deposits for Form 945. If you deposit using Form 8109, be sure to darken the space for Form “945” on Form 8109.

Generally, the deposit rules that apply to Form 941 also apply to Form 945. However, because Form 945 is an annual return, the rules for determining your deposit schedule are different from those for Form 941. See section 11 of Pub. 15 (Circular E) for a detailed discussion of the deposit rules.

Form 1099. Show the backup withholding on a Form 1099, box 4. The payer must send Form 1099 to the payee by January 31 and file Form 1099 with the IRS by February 28.

9595 ☐ VOID ☐ CORRECTED		OMB No. 1545-0115		Miscellaneous Income
PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Rents	2006	
		\$	Form 1099-MISC	Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.
		2 Royalties		
		\$	4 Federal income tax withheld	
		3 Other income	\$	
PAYER'S federal identification number	RECIPIENT'S identification number	5 Fishing boat proceeds	6 Medical and health care payments	
		\$	\$	
RECIPIENT'S name		7 Nonemployee compensation	8 Substitute payments in lieu of dividends or interest	
		\$	\$	
Street address (including apt. no.)		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale ☐	10 Crop insurance proceeds	
		\$	\$	
City, state, and ZIP code		11	12	
Account number (see instructions)		13 Excess golden parachute payments	14 Gross proceeds paid to an attorney	
		\$	\$	
15a Section 408A deferrals	15b Section 408A income	16 State tax withheld	17 State/Payer's state no.	18 State income
\$	\$	\$	\$	\$

Form 1099-MISC Cat. No. 14425J Department of the Treasury - Internal Revenue Service

Federal Tax Calendar for Fourth Quarter 2006

October 2006

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

November 2006

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

December 2006

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

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

October 31st

- > File Form 941 for the 3rd quarter of 2006. If all deposits paid on time and in full, file by November 13th.
- > File Form 730 and pay the tax on applicable wagers accepted during September.

November 30th

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

January 2nd, 2007

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

ITG Area Contacts

Alaska, Idaho, Oregon, Washington

ITG Specialists for the Pacific Northwest

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Melodie Gren	Spokane, WA	509-353-0824	Melodie.F.Gren@irs.gov
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James McCabe	Vancouver, WA	360-696-7643 ext. 228	James.McCabe@irs.gov
Connie Perkins	Salem, OR	503-399-5623 ext. 251	Connie.K.Perkins@irs.gov
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

Request for Taxpayer Identification Number and Certification

Give form to the
requester. Do not
send to the IRS.

Print or type
See Specific Instructions on page 2.

Name (as shown on your income tax return)

Business name, if different from above

Check appropriate box: ☐ Individual/
Sole proprietor

☐ Corporation

☐ Partnership

☐ Other ▶

☐ Exempt from backup
withholding

Address (number, street, and apt. or suite no.)

Requester's name and address (optional)

City, state, and ZIP code

List account number(s) here (optional)

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on Line 1 to avoid backup withholding. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

Note. If the account is in more than one name, see the chart on page 4 for guidelines on whose number to enter.

Social security number								
			+			+		
or								
Employer identification number								
			+					

Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
3. I am a U.S. person (including a U.S. resident alien).

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the Certification, but you must provide your correct TIN. (See the instructions on page 4.)

Sign
Here

Signature of
U.S. person ▶

Date ▶

Purpose of Form

A person who is required to file an information return with the IRS, must obtain your correct taxpayer identification number (TIN) to report, for example, income paid to you, real estate transactions, mortgage interest you paid, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA.

U.S. person. Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN to the person requesting it (the requester) and, when applicable, to:

1. Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
2. Certify that you are not subject to backup withholding, or
3. Claim exemption from backup withholding if you are a U.S. exempt payee.

In 3 above, if applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the withholding tax on foreign partners' share of effectively connected income.

Note. If a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

For federal tax purposes, you are considered a person if you are:

- An individual who is a U.S. citizen or resident of the United States

Before remitting any payments to vendors for "services," secure a signed Form W-9.

If the vendor refuses to supply their Tax Identification Number (TIN), you must backup withhold 28% of all payments.

Any backup withholding you hold back must be deposited with the IRS under Form 945.

- The U.S. owner of a disregarded entity, and not the entity,