

ITG News



Keeping First Nations Informed

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Message from the Director

We recently published the results from our fifth annual Customer Satisfaction Survey, and a summary is included in an article in this issue of ITG News. One of the questions posed in the survey seeks tribal input on our role in helping address the individual tax issues faced by tribal members. It has always been cited as an area where we need to improve.

One of the difficulties we face in helping address member issues is that we have no authority over individual federal tax issues. Individual tax matters are assigned to our Wage and Investment, and our Small Business/Self-Employed Divisions. Thus, our role is somewhat limited, but we continue to make efforts to raise issues within the Service, and to assist tribal members with information they need to be fully compliant with federal tax requirements. We have also forged a relationship with the Taxpayer Advocate Service that is designed to elevate systemic problems that are adversely impacting tribal members.

One current example of both the problems we all face, and the steps we are taking to assist on tribal member issues, involves notices that were being issued to tribal members proposing to assert self employment tax on per capita distributions of net gaming revenues. Although we had developed specific language to describe these distributions on Forms 1040, our campuses were issuing notices that proposed to subject these reported payments to social security through the imposition of self employment tax. This is clearly erroneous, and when it was raised to our attention, we took the following steps:

- We contacted the Taxpayer Advocate Service who immediately intervened to correct the computer programming error that was causing the notices to be issued.
- We posted information as the headline on our web site instructing tribes what action to take if tribal members received the erroneous notices.
- We set up internal procedures to collect information from the tribes in regard to the notices, and ensure the notices were promptly reversed.

If you have experienced this issue, I apologize on behalf of the Service, and I urge you to contact your assigned ITG Specialist so that we can resolve the matter. Although ITG cannot control every contact that originates from the Internal Revenue Service, we are committed to resolving unique problems that affect tribes and tribal members.

Christie Jacobs



...ITG is committed to resolving unique issues affecting tribes and tribal members....

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Customer Satisfaction Survey Results Published



The Office of Indian Tribal Governments recently completed its fifth 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 175 responses, which was slightly less than the prior year survey response rate. We are pleased that the overall level of satisfaction rose from 76% to 77%, 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:

- Continuing to develop specific materials for tribal members and tribal employees which explain tax issues that affect them
- Further studying the causes of dissatisfaction in the Southwest and Pacific Northwest
- Increasing education and outreach efforts with the Navajo Chapters
- Monitoring work processes to improve responsiveness to tribal inquiries by ITG staff
- Improving the clarity of examination letters, communicating future actions that might mitigate problems found during examinations, and improving the timeliness of actions taken by ITG during examinations

This is the first survey where we have asked specific questions in regard to Compliance Checks and Examination interactions with ITG. Since examinations represent a significant percentage of the work done by ITG, we will focus extra efforts in regard to that specific feedback.

Past analysis of the ITG customer base revealed similarities between the Alaska Native Villages and the Navajo Chapters. Both segments tend to be remotely located, have smaller government structures, few large business or gaming operations, and meager staff resources. It has been difficult to determine the needs and/or effect lasting solutions for these particular customers. In the past year, ITG implemented several initiatives in Alaska to increase our visibility and impact among the tribal villages. These improvements included purchasing copies of the tax/accounting software used by the villages to increase ITG understanding of reporting issues/problems arising from this software, adding a regional location code to the database so that work can be assigned geographically to minimize repeated travel to remote locations, and attending large state-run events for the Native Villages to distribute job-aids and information. In addition, ITG organized and conducted major payroll and information reporting educational seminars for tribal employees. The survey shows the positive results of these efforts. The customers in Alaska are now showing satisfaction rates comparable to the rest of the United States, while the Navajo Chapters are still reflecting much lower satisfaction. ITG will seek to apply best practices used in Alaska in a focused effort to better assist the Navajo Chapters.

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

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 to further assist in determining improvement opportunities. Future issues of ITG News will detail operational changes that we effect in response to the survey feedback.



Customer Satisfaction Survey Scores- by ITG Area

	Eastern		North Central		Southwest		Western		Pacific Northwest		Alaska	
	FY 2006	FY 2007	FY 2006	FY 2007	FY 2006	FY 2007	FY 2006	FY 2007	FY 2006	FY 2007	FY 2006	FY 2007
Burden/ Delivery of Information												
Satisfied	83%	85%	72%	71%	56%	58%	76%	83%	82%	55%	57%	71%
Neutral	9%	11%	21%	16%	26%	18%	16%	10%	15%	40%	29%	19%
Dissatisfied	8%	4%	7%	13%	18%	23%	8%	7%	3%	5%	14%	10%
Collaborate												
Satisfied	72%	72%	58%	65%	60%	57%	71%	68%	48%	39%	42%	62%
Neutral	20%	24%	36%	24%	25%	24%	20%	18%	40%	48%	43%	29%
Dissatisfied	8%	4%	6%	11%	15%	19%	8%	14%	12%	12%	15%	8%
Recognition												
Satisfied	82%	84%	72%	70%	69%	59%	84%	77%	73%	50%	52%	69%
Neutral	11%	14%	22%	23%	20%	34%	10%	13%	23%	36%	38%	24%
Dissatisfied	8%	2%	5%	7%	11%	6%	5%	9%	4%	14%	10%	7%
Protocol/ Horizontal Equity												
Satisfied	88%	82%	71%	90%	69%	66%	79%	83%	66%	57%	57%	72%
Neutral	6%	14%	25%	9%	25%	27%	17%	12%	26%	31%	36%	23%
Dissatisfied	5%	5%	4%	1%	6%	7%	3%	5%	8%	12%	8%	5%
Accuracy/ Timeliness/ Honesty												
Satisfied	73%	69%	49%	65%	55%	51%	72%	74%	63%	47%	48%	61%
Neutral	21%	25%	40%	27%	28%	33%	24%	10%	31%	41%	40%	32%
Dissatisfied	6%	6%	11%	8%	18%	16%	4%	16%	6%	13%	12%	8%
Overall Satisfaction												
Satisfied	88%	90%	78%	76%	73%	59%	86%	86%	85%	56%	59%	75%
Neutral	4%	10%	22%	12%	15%	32%	8%	5%	8%	33%	33%	23%
Dissatisfied	8%	0%	0%	12%	12%	9%	5%	8%	8%	11%	8%	2%
Compliance Action - Overall Satisfaction												
Satisfied		67%		80%		86%		78%		43%		70%
Neutral		17%		7%		0%		9%		33%		22%
Dissatisfied		17%		13%		14%		13%		24%		7%
Compliance Action - Initial Meeting												
Satisfied		78%		95%		92%		90%		71%		87%
Neutral		10%		3%		8%		1%		25%		12%
Dissatisfied		13%		3%		0%		8%		4%		0%
Compliance Action - Subsequent Interactions												
Satisfied		74%		70%		80%		84%		56%		89%
Neutral		17%		13%		0%		4%		36%		11%
Dissatisfied		9%		17%		20%		13%		8%		0%
Compliance Action - Final Resolution												
Satisfied		68%		67%		67%		92%		43%		71%
Neutral		12%		25%		7%		8%		43%		19%
Dissatisfied		20%		8%		27%		0%		14%		10%



Four Convicted for Conspiracy, Tax Evasion, and Theft from the Kickapoo Traditional Tribe of Texas



In mid-October, a federal jury convicted Kickapoo Traditional Tribe of Texas gaming representative Isidro Garza, Jr., his son, former State Representative Timeteo Garza and Kickapoo Lucky Eagle Casino manager Arthur Lee Martin for scheming to steal over \$2 million from the casino as well as the tribe itself. Isidro's wife, Martha Garza, was convicted along with her husband and son of tax evasion and a related conspiracy charge.

In all, the jury convicted:

- Isidro Garza, Jr., of one count of conspiracy to commit theft from an Indian tribal organization and by officers and employees of Gaming Establishments on Indian lands, two substantive counts of theft from an Indian tribal organization, five substantive counts of theft by officers and employees of Gaming Establishments on Indian lands, one count of conspiracy to defraud the Internal Revenue Service and four counts of tax evasion. As a result, Isidro Garza faces up to 55 years in federal prison.
- Martha Garza of one count of conspiracy to defraud the Internal Revenue Service plus four counts of tax evasion. As a result, Martha Garza faces up to 25 years in federal prison.
- Timeteo Garza of one count of conspiracy to commit theft from an Indian tribal organization and by officers and employees of Gaming Establishments on Indian lands, two counts of theft by officers and employees of Gaming Establishments on Indian lands and one count of conspiracy to defraud the Internal Revenue Service. As a result, Timeteo Garza faces up to 20 years in federal prison.
- Arthur Lee Martin of one count of conspiracy to commit theft from an Indian tribal organization and by officers and employees of Gaming Establishments on Indian lands and two counts of theft by officers and employees of Gaming Establishments on Indian lands. As a result, Martin faces up to 15 years in federal prison.

The jury found that between February 13, 1998, and October 28, 2002, the defendants misused tribal credit cards, took cash directly from the casino cash cage and had checks from tribal and casino accounts written to pay for personal expenses.

On May 17, 2007, Raul Garza, Sr., former chairman of the Kickapoo Traditional Tribe of Texas, was sentenced to three years in federal prison and ordered to pay more than \$2 million restitution for his role in the scheme.

ITG was instrumental in bringing this case forward for prosecution, and we remain committed to helping protect tribal assets for the benefit of tribal members by identifying financial abuses. We are pleased to partner with tribes in this regard, and although the outcomes can have short-term pain, the long term effect should make a clear statement that neither tribes nor the federal government will knowingly permit individuals to use tribal assets for their personal 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

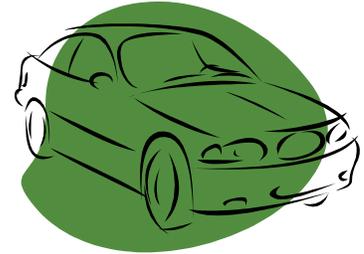


2008 Standard Mileage Rate

Beginning January 1, 2008, the standard mileage rates for the use of a car (including vans, pickups or panel trucks) will be:

- 50.5 cents per mile for business miles driven;
- 19 cents per mile driven for medical or moving purposes; and
- 14 cents per mile driven in service of charitable organizations.

These mileage rates are important to employers, such as Tribes, since the rates can be used to calculate reimbursements to employees who incur mileage on behalf of their employer under an Accountable Plan.



The new rate for business miles compares to a rate of 48.5 cents per mile for 2007. The new rate for medical and moving purposes compares to 20 cents in 2007. The rate for miles driven in service of charitable organizations has remained the same. The standard mileage rate for business is based on an annual study of the fixed and

Before you file those 1099's and W-2G's

Have you resolved all your TIN/name mismatch notice problems yet? Do you know what is required in order to avoid mismatch penalties in the future? Although information return filing and mismatch penalties have been topics of discussion in this newsletter several times, here is one more pre-filing tip that you can plan now may help you avoid problems in the future...

Check your 1099/W-2G data before you file those returns. Run a report with a "sort" by social security number (or TIN) to look for numbers that have more than one name associated with them. Then, run those reports again with a "sort" by name—do you have any names on that list that are filed under with than one TIN? Is there a difference in TIN that could be attributed to an input error or a transposed number? Are there any transactions with no TIN, or an obviously improper TIN?

When discrepancies are identified from these reports, you now have time to resolve those differences **before** the information returns are due. Double-check the information obtained from the customer at the time of the transaction--do you have copies of documents in your files that can resolve the difference? Can you contact the customer to request a confirmation of the proper information?

Along with proper identifying procedures at the time of the transaction and proper follow-up procedures when you've been notified by IRS of a potential mismatch, attempting to resolve a problem before filing can help you establish a reasonable basis for waiver of a mismatch penalty...and perhaps reduce or even eliminate the notices altogether!

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 an inquiry about the program via e-mail to tege.itg.tefac@irs.gov



Common Misconceptions About Travel Funds

Travel Reimbursements are Never Taxable—Incorrect, depending upon the type of plan the employer has, the reimbursements for business travel may or may not be taxable.

There two types of plans:

1. Accountable Plans—An accountable plan is not taxable to your employee. Amounts paid under an accountable plan are not wages and are not subject to income tax withholding and payment of social security, Medicare, and Federal Unemployment (FUTA) Taxes.
2. Nonaccountable Plans— A nonaccountable plan is taxable to your employees and is subject to all employment taxes and withholding.

Accountable Plans—(Nontaxable to your employees) In order to qualify as an accountable plan, your reimbursement or allowance arrangement **MUST** require that your employees meet ALL three of the following rules:

1. There must be a business connection to the expenditure.
2. There must be “adequate” accounting by the recipient within a reasonable period of time. This means that your employees must verify the date, time, place, amount and the business purpose of the expense. Receipts are required unless the reimbursement is made under a per diem plan.
3. Excess reimbursements or advances must be returned within a reasonable period of time.

Nonaccountable Plans—(taxable to your employees and are subject to all employment taxes and withholding) Your payments would be considered treated as paid under a nonaccountable plan if:

1. Your employee is not required to or does not substantiate timely those expenses to you with receipts or other documentation.
2. You advance an amount to your employee for business expenses and your employee is not required to and does not return timely any amount he or she does not use for business expenses.

We Don't have to use Per Diem Rates—Correct, you may reimburse your employees by actual expenses or per diem/fixed allowance expense.

For actual expenses, your employee is required to account to you for every travel expense incurred including actual transportation expense, lodging, each meal, every incidental expense, other business travel expense that is ordinary and necessary, time, place and business purpose of the travel.

Per diem rates is a daily allowance consisting of two components: lodging expense and meals and incidental expense. In order to utilize the per diem rates, it is necessary for your employee to stop for substantial sleep or rest to properly perform his/her duties while traveling away from home on business. In these cases, your employee is considered to have accounted to you if your reimbursement does not exceed per diem rates established by the Federal Government. Remember, even though there is a per diem lodging rate, your allowable lodging expense deduction is your actual cost and must be substantiated. The government per diem rate for meals and lodging in the continental United States are listed in [Publication 1542, Per Diem Rates](#).

If the per diem or allowance paid exceeds the amounts specified, you must report the excess amount as wages. As of January 1, 2007, [Revenue Ruling 2006-56](#) became effective. It tells employers that if they routinely pay per diem allowances in excess of the federal per diem rates, but do not track the

continued on next page



Common Misconceptions About Travel Funds-cont.

allowances and do not require the employees either to actually substantiate all the expenses or pay back the excess amounts, and do not include the excess amounts in the employee's income and wages, then the entire amount of the expense allowances is subject to income tax and employment taxes.

Any Receipt is Adequate—Incorrect, you must be able to provide records that show details of amount, time, place or description, business purpose and business relationship.

A hotel receipt is enough to support expenses for business travel if it has all of the following information:

- The name and location of the hotel.
- The dates you stayed there.
- Separate amounts for charges such as lodging, meals and telephone calls.

A restaurant receipt is enough to prove an expense for a business meal if it has all of the following information:

- The name and location of the restaurant.
- The number of people served.
- The date and amount of the expense.

None of the above provides documentation of business purpose or business relationship. To prove these your employees should keep an account book, diary, statement of expense or similar record, showing the business purpose and business relationship.

There is No Timeline to Turn In Receipts—Incorrect, your employee must adequately account for these expenses within a reasonable period of time.

The definition of reasonable period of time depends on the facts and circumstances of each situation. However, regardless of the facts and circumstances of each situation, actions that take place within the times specified in the following list will be treated as taking place within a reasonable period of time.

- You receive an advance within 30 days of the time you have an expense.
- You adequately account for your expenses within 60 days after they were paid or incurred.
- You return any excess reimbursement within 120 days after the expense was paid or incurred.

If I Don't Go on the Trip, I Don't Have to Pay Back the Travel Advance—Incorrect, as stated above you need to return any excess reimbursement within 120 days after the expense was paid or incurred. Since no expense was incurred, the 120 days start once you received the advance. If you don't pay back the advance, your employer must include the advance in wages in box 1 of your Form W-2. You must report this advance as if it were wage income.

We can Get Reimbursed if We Take Family Members on Our Business Trip—Incorrect, if a spouse, dependent, or other individual goes with you or your employee on a business trip or to a business convention, you generally cannot deduct his or her travel expenses, nor can an employee get reimbursed for those expenses.

If you would like more information on travel expenses, [Publication 463, Travel, Entertainment, Gift and Car Expenses](#), is a wonderful reference, or you can contact your local ITG Specialist.



ITG Area Contacts

The complete list of ITG contacts for the Great Lakes area (Michigan, Minnesota, and Wisconsin) is as follows:

Serina Halverson, Manager Omaha, Nebraska 402-361-0286 Serina.M.Halverson@irs.gov	Sandy King, Specialist Sault Ste. Marie, Michigan 906-635-9389 Sandra.King@irs.gov	Jason Clairmont, Specialist Appleton, Wisconsin (920) 738-5694 Jason.L.Clairmont@irs.gov
Rick Ziton, Specialist St. Paul, Minnesota 651-312-7734 Richard.J.Ziton@irs.gov	Stan Wiatros, Specialist St. Paul, Minnesota 651-312-7732 Stanley.J.Wiatros@irs.gov	

Telephone, Internet, and Mailing Address:

Call: Customer Account Services (Toll free) 877-829-5500

Visit: Indian Tribal Governments at www.irs.gov/tribes

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



Do you have a topic you would like to see covered in a future issue of *ITG News*? Is there someone you know who would like to receive their own copy of *ITG News*? If so, please contact Sandy King at Sandra.King@irs.gov or (906) 635-9389

FinCEN provides FAQ's for Casinos

On November 14, 2007, FinCEN issued guidance in the form of Frequently Asked Questions that interpret the requirements of the Bank Secrecy Act ("BSA") regulations as they apply to the casino and card club industries in the United States. You can access this document from FinCEN's website at www.fincen.gov/Casino_FAQs_Final.pdf.

Employee Tip Income Program Questions

ITG has a full-time Tip Coordinator to assist you with any questions about tip reporting agreements. If you are interested in securing a Tip Agreement, have questions concerning your existing agreement, or have received a notice about tip reporting responsibilities that is unclear, please contact Suzanne Perry at (602) 207-8254.



Federal Tax Calendar for First Quarter 2008

January 2008

Sun	Mon	Tue	Wed	Thu	Fri	Sat
		1	2	3 * Make a deposit for 12/26-12/28	4 * Make a deposit for 12/29-1/1	5
6	7	8	9 Make a deposit for 1/2-1/4	10 Employees report December tip income to employers if \$20 or more	11 * Make a deposit for 1/5-1/8	12
13	14	15 ** Make a deposit for December if under the monthly deposit rule	16 * Make a deposit for 1/9-1/11	17	18 * Make a deposit for 1/12-1/15	19
20	21	22	23	24 * Make a deposit for 1/16-1/18	25 * Make a deposit for 1/19-1/22	26
27	28	29	30 * Make a deposit for 1/23-1/25	31		

February 2008

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

* = 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.



March 2008

Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1
2	3	4	5 * Make a deposit for 2/27-2/29	6	7 * Make a deposit for 3/1-3/4	8
9	10 Employees report February tip income to employers if \$20	11	12 * Make a deposit for 3/5-3/7	13	14 * Make a deposit for 3/8-3/11	15
16	17 ** Make a deposit for February if under the monthly deposit rule	18	19 * Make a deposit for 3/12-3/14	20	21 * Make a deposit for 3/15-3/18	22
23	24	25	26 * Make a deposit for 3/19-3/21	27	28 * Make a deposit for 3/22-3/25	29
30	31					

* = 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

January 2nd

- > File Form 730 and pay the tax on applicable wagers accepted during November 2007.

January 31st

- > File Form 941 for the 4th quarter of 2007. If all deposits are paid on time and in full, file by February 11th.
- > If pre-qualified for simplified payroll filing, file Form 944. If all deposits are fully paid on time, file by February 11th.
- > File Form 940 for 2007 if liable for Federal Unemployment Tax (not participating or current with state unemployment tax). If all deposits are paid on time and in full, file by February 11th.
- > File Form 730 and pay the tax on applicable wagers accepted during December.
- > File Form 945 for 2007. If all deposits are paid on time and in full, file by February 11th.
- > File Form 943 for 2007 (agricultural entities). If all deposits are paid on time and in full, file by February 11th.

February 28th

- > File information returns for all payments reported to recipients on Forms 1099, 1098, 5498, and W-2G, using Form 1096 as a transmittal. If filing these forms electronically, file by March 31st.

February 29th

- > File Form W-3, along with copy A of Forms W-2 you issued for 2007. File by March 31st if filing electronically.
- > File Form 730 and pay the tax on applicable wagers accepted during January.
- > File Form 8027 if you are a large food and beverage establishment. File by March 31st if filing electronically.

March 31st

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