



ITG News



Keeping First Nations Informed

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Great Plains Edition

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.

We have posted the results of the survey to the ITG web site at www.irs.gov/tribes each year, and we 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 it 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.....*

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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, 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 14th 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.

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, or you can make an inquiry about the program via e-mail to 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.



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 that 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



Combined Annual Wage Reporting Missing Form W-2 Inquiries

The Social Security Administration (SSA) and Internal Revenue Service (IRS) have an agreement to exchange employment tax data. SSA shares Form W-2 data with the IRS and the IRS shares Form 941, 943, 944, 945 (henceforth called Form 94X) and Schedule H data with SSA.

The Combined Annual Wage Reporting (CAWR) is a document matching program that compares the Federal Income Tax (FIT) withheld, advance Earned Income Credit (AEIC), Medicare wages, Social Security wages, and Social Security Tips reported to the IRS on the Forms 94X and Schedule H against the amount reported to SSA via Forms W-3 and the processed totals of the Forms W-2.

When Social Security and/or Medicare Wages reported to SSA on Forms W-2 are lower than the Social Security and/or Medicare Wages reported to IRS on Forms 94X/Schedule H, SSA contacts the employer, issuing Notice SSA-L-93-SM, Employer Questionnaire Discrepancy Between IRS and SSA Records, requesting information to help resolve the discrepancy. If the initial contact does not fully resolve the discrepancy, SSA follows up with Notice SSA-L-94-SM, Second Request Questionnaire SSA Has No Record of Employer Record. If, after two contacts, the imbalance is not completely resolved, SSA refers the case to the IRS.

The inventory received from SSA into the CAWR program (known as SSA-CAWR cases) is reviewed by tax examiners who attempt to reconcile the discrepancy without contact with the employer. This includes additional research with SSA to determine if Forms W-2 were filed/corrected in the interim. The tax examiner review begins in April each year for the third preceding tax year (for example: during 2008 IRS is analyzing tax year 2005 SSA-CAWR cases).

If, after the initial case analysis, a discrepancy still remains, the tax examiners issues Notice CP253, Request for W-2 Not Filed with Social Security Administration. The CP253 informs the taxpayer of a discrepancy between information reported on the employment tax returns (i.e.: the Forms 94X or Schedule H) and that reported on Forms W-2.

The tax examiner may issue Letter 99C, Wage Discrepancy Per SSA; Information/Verification Requested, in lieu of CP352 when it is necessary to provide the employer with additional information.

The IRS must receive your response within 45 days of the date of the CP253 or 99C Letter. If a response is not received within this timeframe the case will be closed, and the employer will be subject to the penalties outlined in the notice.

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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.



Combined Annual Wage Reporting Missing Form W-2 Inquiries—continued from previous page

How to Prepare Your Response:

1. If you use the services of an accountant or payroll service provider you will need to provide them with a copy of the CP253 or 99C Letter. They will not receive a copy from the IRS even if they receive copies of your other IRS notices.
2. Review your employment tax information and compare it to the issues raised on the CAWR notice/letter.
3. If you did not file all the required Form(s) W-2, submit them to the IRS, by attaching them behind the response page included with the CP253 or Letter 99C. Under IRS 6721(a), Failure to File Correct Information Returns, original Forms W-2 received in response to CAWR inquiry are subject to a penalty of \$50 for each document submitted.
4. If you disagree with the issues on the notice/letter, provide your explanation in a signed statement. If the Form(s) W-2 were previously filed with SSA, please provide proof of timely submission.
5. If Forms W-2c or 941c will resolve the discrepancy, include them in your reply. Be sure that any adjustments made do not cause your account to be out of balance.
6. Mail or Fax your reply by the due date shown on the notice/letter. Under IRC 6721(e), Failure to File Correct Information Returns with Intentional Disregard, taxpayers that do not respond to CAWR inquiry timely are subject to a penalty based on 10% of the aggregate difference between the employment tax returns filed with the IRS and Forms W-2 filed with SSA.

W-2C Online

You can prepare and file Forms W-2C (and Forms W-3C) electronically by visiting Social Security's Employer Reporting Instructions and Information web site at www.socialsecurity.gov/employer. Select "Electronically File Your W-2s" and log into "Business Services Online" (BSO). The BSO "Create Forms W-2c Online" option allows you to create "fill-in" versions of Forms W-2C and W-3C for filing with Social Security. It also allows you to print copies for your employees and for filing with state or local governments, or for maintaining your records. This service is free!

Tax Tools for Tribes

You can order our comprehensive reference CD-ROM containing Publication 4268 (Employment Tax Guide for Tribes), Publication 3908 (Gaming Tax Law for Indian Tribal Government), Publication 15 (Employer's Tax Guide), Publication 15-A (Employer's Supplemental Tax Guide), ITG News issuance for your area for the last 8 quarters, a "primer" for federal tax issues affecting individual Native Americans, and a guide on "Helpful Hints to Avoid Penalties".

E-Mail us at ITG.TaxTools@irs.gov and provide your mailing address and the number of CD-ROM copies you would like to receive.

To add your name or e-mail address to our mailing list, please contact us via e-mail at Carole.M.Oller@irs.gov or call Carole Oller at (605) 787-5650



Bank Secrecy Act (BSA) Examinations: Utilizing Findings to Strengthen Your Program

The findings from the initial wave of BSA examinations, at Indian Casinos, provide valuable information to assist your casino in identifying areas that may need strengthening. Whether or not a BSA exam has occurred at your casino, your assigned Indian Tribal Government Specialist can assist you in strengthening your program by utilizing these findings.

If a BSA exam has not yet occurred at your casino, be assured your ITG Specialist will attend the opening and closing conferences. The Specialist will also serve as a facilitator to ensure the BSA Examiner is aware of appropriate contacts at the Tribe, Casino, and the Gaming Commission. Once a BSA exam is completed, Letter 1112 will be issued. An attachment to the letter will discuss any weaknesses and recommendations that have been identified. As stated in the letter, it will be incumbent upon the casino "to implement the appropriate corrective action(s) in a timely manner..." Your ITG Specialist will offer assistance to help determine methods that can be used to strengthen the BSA Program and to serve as a resource during the implementation of program changes.

Although each BSA exam is unique, those that have been completed have seen common findings. Examples of these findings include:

1. The BSA written compliance program does not conform to various sections of Part 103 of Title 31, such as 103.64, 103.22, 103.27 and 103.36.
2. The casino did not perform a risk analysis to assess the adequacy of their policies, procedures, and internal controls for suspicious activity reporting.
3. The controls that are in place are not based on the casinos risk and/or are not documented in the written program.
4. There are no procedures or ability to do electronic review for suspicious activity in the area of slot machines and/or kiosk payouts. For example, there should be software that can run reports on the following reviews: scanned slot ticket data and drop handle matrix for potentially suspicious slot activity.
5. There are no procedures in place to use error reports from the Detroit computing Center regarding filed CTRCs to determine if there is suspicious activity.
6. Surveillance is not sufficiently utilized to uncover suspicious activity in the slot area. Surveillance does not receive adequate training in Title 31 regulations in general and specifically in identifying suspicious activity.
7. Suspicious activity reporting relies solely on visual observation. Look-back reviews are not being performed to identify potential suspicious activity, such as structuring.
8. Internal and/or external testing is limited to controls already in place, which are not adequate. Internal/external auditors have little experience with Title 31 regulations. Suspicious activity identification/investigating/evaluating are usually not addressed by the auditors.
9. Written program does not provide sufficient detail on the content of the training. The same items are covered and tested year after year.
10. The determination to file a SARC is being made too low in the organization, resulting in a lack of consistency throughout the casino.
11. There is little if any oversight of the day to day compliance by upper management.
12. Identified suspicious incidents are not tracked to assure they are properly investigated and evaluated.

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BSA Examinations—continued from previous page

Your ITG Specialist is available to meet with your Tribe, Casino, and/or Gaming commission to discuss these and other findings in more detail. Whether the Specialist works with you on specific findings resulting from an already completed BSA exam at your property or on an outreach basis to increase your awareness level of potential areas that may be strengthened at your casino, it is our hope that you take advantage of this opportunity. All it takes is a phone call to your Specialist to begin the process.

IRS Increases Mileage Rates through Dec. 31, 2008

The Internal Revenue Service announced an increase in the optional standard mileage rates for the final six months of 2008. Taxpayers may use the optional standard rates to calculate the deductible costs of operating an automobile for business, charitable, medical or moving purposes.

The rate will increase to 58.5 cents a mile for all business miles driven from July 1, 2008 through Dec. 31, 2008. This is an increase of eight (8) cents from the 50.5 cent rate in effect for the first six months of 2008.

In recognition of recent gasoline price increases, the IRS made this special adjustment for the final months of 2008. The IRS normally updates the mileage rates once a year in the fall for the next calendar year.

While gasoline is a significant factor in the mileage figure, other items enter into the calculation of mileage rates, such as depreciation and insurance and other fixed and variable costs.

The optional business standard mileage rate is used to compute the deductible costs of operating an automobile for business use in lieu of tracking actual costs. This rate is also used as a benchmark by the federal government and many businesses to reimburse their employees for mileage.

The new six-month rate for computing deductible medical or moving expenses will also increase by eight (8) cents to 27 cents a mile, up from 19 cents for the first six months of 2008. The rate for providing services for charitable organizations is set by statute, not the IRS, and remains at 14 cents a mile.

FinCEN Releases Revised Currency Transaction Report - Casino (FinCEN Form 103) and BSA E-File Electronic Filing Specifications

FinCEN has announced the release of a revised CTRC (FinCEN Form 103) and BSA E-File Electronic filing specifications to be effective August 2008. The documents must not be used for filing until September 1, 2008.

FinCEN Form 103 questions may be directed to the FinCEN Regulatory Helpline at 1-800-949-2732, or for BSA E-Filing, the E-File Helpline at 1-888-827-2778)



Tax News For You!

Individual Tribal Member Information

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.

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 additional information, go to www.irs.gov.

ITG Area Contacts

Great Plains Area

Illinois, Iowa, Kansas, Missouri, Montana, Nebraska, North Dakota, South Dakota, Wyoming

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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>File Form 730 for wagers received during June</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	26	27 * make a deposit for 8/20-8/22	28	29 * make a deposit for 8/23-8/26	30
31						

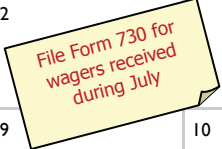
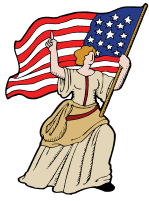
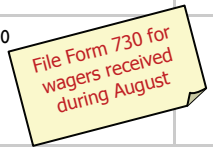
* = Make a Payroll Deposit if you are under the semi-weekly deposit rule.

**= 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 				

* = 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

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 2007. If all deposits 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.