

# ITG News



Keeping First Nations Informed

January 2011

Publication 4267G

Catalog Number 37844Q

Western Edition

## Tax Benefits Extended to Indian Country

[The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010](#) extends benefits to Indian Country.

Listed below are highlights which affect Indian tribal governments:

- **Indian employment credit:** The Tax Act extends for two years (through 2011) the business tax credit for employers of qualified employees that work and live on or near an Indian reservation. The amount of the credit is 20 percent of the excess of wages and health insurance costs paid to qualified employees (up to \$20,000 per employee) in the current year over the amount paid in 1993.
- **Temporarily extend tax relief for Alaska settlement funds:** The Economic Growth and Tax Relief Reconciliation Act allowed an election in which Alaska Native settlement trusts can elect to pay tax at the same rate as the lowest individual marginal rate, rather than the higher rates that generally apply to trusts. Beneficiaries of the trust do not pay tax on the distributions of an electing trust's taxable income. Finally, contributions by an Alaska Native corporation to an electing trust would not be deemed distributions to the corporation's shareholders. The Tax Act extends the elective tax treatment for Alaska Native settlement trusts for an additional two years, through 2012.
- **Accelerated depreciation for business property on an Indian reservation:** The Tax Act extends for two years (through 2011) the placed-in-service date for the special depreciation recovery period for qualified Indian reservation property. In general, qualified Indian reservation property is property used predominantly in the active conduct of a trade or business within an Indian reservation, which is not used outside the reservation on a regular basis and was not acquired from a related person.
- **Temporary Employee Payroll Tax Cut:** For 2011, the Social Security tax withholding rate will lower 2 percentage points, from 6.2 percent to 4.2 percent. *See page 2 for more information.*



## A decade of service to America's First Nations

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## 2011 Payroll Tax Cut - New Withholding Details Now Available

The Internal Revenue Service has released instructions to help employers implement the 2011 cut in payroll taxes, along with new income-tax withholding tables that employers will use during 2011.

Due to the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010, millions of workers will see their take-home pay rise during 2011. It provides a 2 percent payroll tax cut for employees, reducing their Social Security tax withholding rate from 6.2 percent to 4.2 percent of wages paid. This reduced Social Security withholding will have no direct effect on the employee's future Social Security benefits. The new law also maintains the income-tax rates that have been in effect in recent years.

[Notice 1036](#) contains the percentage method income tax withholding tables, the lower Social Security withholding rate, and related information that most employers need to implement these changes. [Publication 15, \(Circular E\), Employer's Tax Guide](#), contains the extensive wage bracket tables that some employers use and is available on IRS.gov.

Employers should start using the new withholding tables and reducing the amount of Social Security tax withheld as soon as possible in 2011 but not later than Jan. 31, 2011. For any Social Security tax over withheld during January, employers should make an offsetting adjustment in workers' pay as soon as possible but not later than March 31, 2011.

Employers and payroll companies will handle the withholding changes, so workers typically won't need to take any additional action, such as filling out a new W-4 withholding form.

## IRS Extends Deadline to Issue Tribal Economic Development Bonds

The deadline for Indian tribal governments to issue tribal economic development bonds (TEDBs) has been extended from December 31, 2010 to June 30, 2011. Additionally, upon written request, the IRS may approve a six-month extension till December 31, 2011. The extensions apply only to the first allocation of national bond limitations. Bonds issued under the second allocation are due to be issued no later than December 31, 2011. Additionally, tribal economic development bonds offered as "Build America Bonds," are required to be issued before January 1, 2011. For more information, please view [IRS Announcement 2010-88](#).

## Avoid Penalties with Tax Tools for Tribes

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.

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
- Excel file for calculating federal income tax withholding on per capita gaming distributions
- A "primer" for federal tax issues affecting individual Native Americans
- A guide on "Helpful Hints to Avoid Penalties"

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



## Message from the Director

On December 16, 2010, the White House held the 2<sup>nd</sup> Tribal Leaders Conference in Washington DC. I was honored to participate in that conference. In addition to the President, 7 of the 15 Cabinet members were there, along with 320 tribal leaders! After an opening session with the President and Secretary Salazar, we broke into 5 discussion sessions on topics important to Indian Country. Those sessions provided a unique opportunity for discussion on a government-to-government basis that I am sure will lead to a better relationship between all of us.

The day before the White House conference, HHS sponsored a consultation session on the Affordable Care Act (ACA) and the Indian Health Care Improvement Act (IHCA). HHS, IHS, and IRS all participated.

Tribes have a lot of flexibility and choice under the ACA and the IHCA when it comes to providing healthcare to tribal members. New section 139D of the Internal Revenue Code is just one of those provisions. That section exempts from income any qualified health care benefits provided by a tribe to members of a tribe. However, It became clear to me at the consultation session that tribal governments continue to have questions concerning that new provision. To help answer those questions, we have placed a special "[Frequently Asked Questions](#)" section on our website dedicated to the new provision. If you do not see your question listed there, please email us at [tege.ask.itg@irs.gov](mailto:tege.ask.itg@irs.gov) so we can provide an answer and update the website. 2011 marks the first full year that new section 139D is in effect. That means you no longer need to prepare Forms 1099 for those qualifying benefits provided in 2011.

All of us in the Indian Tribal Governments Office at the IRS wish you a Happy New Year and look forward to working with you in 2011!

*Christie Jacobs*



## ITG Reviews Tips Reported

As part of the monitoring to ensure tax law compliance, ITG reviews the tips reported by tribal entities on Forms 941 *Employers QUARTERLY Federal Tax Return*. Reported tips are a major indicator of compliance with federal tip reporting requirements under Internal Revenue Code sections 3121(a) and 3121(q). ITG considers tips reported in conjunction with the size of the tipped enterprise and the amenities offered along with certain other factors in order to determine potential noncompliance with federal law.

All tipped entities, including those with outside payroll providers, should routinely verify that all social security tips are being reported separately from social security wages on Forms 941 and W-2 *Wage and Tax Statement*. Even if some or all of the tips are held by the employer and paid through payroll along with wages, the tips should be reported separately as social security tips. Failure to report all social security tips separately will result in inaccurate data being used by ITG in determining potentially noncompliant tribal entities.

In order to avoid unnecessary contacts with the IRS, including possible case assignments, please match the total social security tips reported on Forms 941 line 5b for the prior year to the total tips reported internally for that year. If there is a major discrepancy between the actual tips received and the social security tips reported on Forms 941, immediately contact the ITG Tip Coordinator Suzanne Perry at (602) 636-9181 or via e-mail at [Suzanne.V.Perry@irs.gov](mailto:Suzanne.V.Perry@irs.gov).

## In 2011, Many Tax Benefits Increase Slightly Due to Inflation Adjustments

In 2011, personal exemptions and standard deductions will rise, and tax brackets will widen due to inflation. These inflation adjustments relate to eight tax provisions that were either modified or extended by the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 that became law on Dec. 17. New dollar amounts affecting 2011 returns, filed by most taxpayers in early 2012, include the following:

- The value of each personal and dependent exemption, available to most taxpayers, is \$3,700, up \$50 from 2010.
- The new standard deduction is \$11,600 for married couples filing a joint return, up \$200, \$5,800 for singles and married individuals filing separately, up \$100, and \$8,500 for heads of household, also up \$100. The additional standard deduction for blind people and senior citizens is \$1,150 for married individuals, up \$50, and \$1,450 for singles and heads of household, also up \$50. Nearly two out of three taxpayers take the standard deduction, rather than itemizing deductions (such as mortgage interest, charitable contributions and state and local taxes).
- Tax-bracket thresholds increase for each filing status. For a married couple filing a joint return, for example, the taxable-income threshold separating the 15-percent bracket from the 25-percent bracket is \$69,000, up from \$68,000 in 2010.
- The maximum earned income tax credit (EITC) for low and moderate income workers and working families rises to \$5,751, up from \$5,666 in 2010. The maximum income limit for the EITC rises to \$49,078, up from \$48,362 in 2010. The credit varies by family size, filing status and other factors, with the maximum credit going to joint filers with three or more qualifying children.
- The modified adjusted gross income threshold at which the lifetime learning credit begins to phase out is \$102,000 for joint filers, up from \$100,000, and \$51,000 for singles and heads of household, up from \$50,000.

Details on these inflation adjustments can be found in [Revenue Procedure 2011-12](#).



## Tax Package Mailing to End Following Growth of e-File

Individual and business taxpayers will no longer receive paper income tax packages in the mail from the IRS. These tax packages contained the forms, schedules and instructions for filing a paper income tax return.

The IRS is taking this step because of the continued growth in electronic filing and the availability of free options to taxpayers, as well as to help reduce costs.

In early October, the IRS sent a [postcard](#) to individuals who filed paper returns last year and did not use a tax preparer or tax software. The information will explain how to get the tax forms and instructions they need for filing their tax year 2010 return. The forms and instructions will be available in early January 2011.

Only 8 percent of individuals who filed tax returns last year received tax packages in the mail. The rest either used a paid tax professional or software or [e-filed](#) their tax returns.

So far this year, more than 96 million individual tax returns were e-filed, and an estimated 20 million paper returns were filed through paid preparers.

Free options available for taxpayers are as follows:

- Taxpayers can still get the necessary [forms and instructions online](#) at [IRS.gov](#), or by visiting [local IRS offices](#) or participating libraries and post offices.
- Individuals making \$49,000 or less can use the [Volunteer Income Tax Assistance](#) program for free tax preparation and in many cases free electronic filing.
- [IRS Free File](#) provides options for free brand-name tax software or online fillable forms plus free electronic filing. *For more information, please read the [IRS Free File for all](#) article on page 7.*

## IRS Seeks to Return \$164.6 Million in Undelivered Checks to Taxpayers

The Internal Revenue Service is looking to return \$164.6 million in undelivered refund checks. A total of 111,893 taxpayers are due one or more refund checks that could not be delivered because of mailing address errors.

"We want to make sure taxpayers get the money owed to them," said IRS Commissioner Doug Shulman. "If you think you are missing a refund, the sooner you update your address information, the quicker you can get your money."

A taxpayer only needs to update his or her address once for the IRS to send out all checks due. Undelivered refund checks average \$1,471 this year, compared to \$1,148 last year. Some taxpayers are due more than one check.

If a refund check is returned to the IRS as undelivered, taxpayers can generally update their addresses with the ["Where's My Refund?"](#) tool on [IRS.gov](#). The tool also enables taxpayers to check the status of their refunds. A taxpayer must submit his or her Social Security number, filing status and amount of refund shown on their 2009 return. The tool will provide the status of their refund and, in some cases, instructions on how to resolve delivery problems.

Taxpayers checking on a refund over the phone will receive instructions on how to update their addresses.

Taxpayers can access a telephone version of "Where's My Refund?" by calling 1-800-829-1954. While only a small percentage of checks mailed out by the IRS are returned as undelivered, taxpayers can put an end to lost, stolen or undelivered checks by choosing direct deposit when they file either paper or electronic returns. Taxpayers can receive refunds directly into their bank, split a tax refund into two or three financial accounts or even buy a savings bond.

The IRS also recommends that taxpayers file their tax returns electronically, because e-file eliminates the risk of lost paper returns. E-file also reduces errors on tax returns and speeds up refunds. E-file combined with direct deposit is the best option for taxpayers; it's easy, fast and safe.

The public should be aware that the IRS does not contact taxpayers by e-mail to alert them of pending refunds and that such messages are common identity theft scams. The agency urges taxpayers not to release any personal information, reply, open any attachments or click on any links to avoid malicious code that will infect their computers. The best way for an individual to verify if she or he has a pending refund is going directly to [IRS.gov](#) and using the ["Where's My Refund?"](#) tool.



## Information Return Penalty Increases Beginning January 1st

On September 27, 2010, President Obama signed in to law H.R. 5297, *Small Business Jobs Act of 2010* (P.L. 111-240).

How does this affect you? The law will impose penalty increases to those who fail to file within the required time frame. The changes apply to information returns (Forms W-2, 1099, 1042-S, etc.) required to be filed on or after January 1, 2011.

Below are some of the highlights:

Filing less than 30 days after the due date

- Penalty increase from \$15 to \$30
- Maximum increase from \$75,000 to \$250,000

Filing more than 30 days after the deadline but before August 1

- Maximum increase from \$150,000 to \$500,000

Filing after August 1

- Penalty increase from \$50 to \$100
- Maximum increase from \$250,000 to \$1.5 million

Small filers (those with average gross receipts less than or equal to \$5 million) will see an increase in maximum penalties:

- Filing less than 30 days after the deadline - increase from \$25,000 to \$75,000
- Filing more than 30 days after the deadline but before August 1 - increase from \$50,000 to \$200,000
- Filing after August 1 - increase from \$100,000 to \$500,000

Penalties for failing to file information returns to payees similarly increase.

For intentional failures to file, the minimum penalty for each instance will increase from \$100 to \$250. Additionally, penalties will be adjusted for inflation for each fifth calendar year beginning after 2012.

## Employer-Provided Health Coverage Reporting Requirement Optional for 2011

Starting in tax year 2011, the Affordable Care Act requires employers to report the value of the health insurance coverage they provide employees on each employee's annual Form W-2. However, the IRS will defer the reporting requirement for 2011, making it optional, to provide employers the time they need to make changes to their payroll systems or procedures in preparation for compliance.

The revised [Form W-2 for 2011](#) is now available in draft for viewing. This is the W-2 that most employees will receive in early 2012. The draft form includes the codes that employers may use to report the cost of coverage under an employer-sponsored group health plan.

This reporting is for informational purposes only, to show employees the value of their health care benefits so they can be more informed consumers. The amount reported does not affect tax liability, as the value of the employer contribution to health coverage continues to be excludible from an employee's income, and it is not taxable.

## Advanced Earned Income Tax Credit (AEITC) Repeal

The Education Jobs and Medicaid Assistance Act eliminates the Advanced Earned Income Tax Credit starting in 2011.

Before 2011, qualified taxpayers [may request](#) AEITC in the form of additional payments added by their employers to their wages. Employers then claim a [payroll tax credit](#) for the AEITC payments.

[Form W-5](#), Earned Income Credit Advanced Payment Certificate will be eliminated.

## Payroll Taxes to be Deposited Electronically

Beginning 2011 all employers will be required to send payroll tax (also known as employment tax) deposits electronically, since the paper coupon system will no longer be available. Employers need to register with the [Electronic Federal Tax Payment System](#) to begin making these deposits.



## IRS Free File for All

Join the 30 million Americans who already have saved money by using IRS Free File, the free way to electronically prepare and e-file your federal tax return.

Free File is a partnership between the IRS and approximately 20 software providers. The software provides a step-by-step guide to get your taxes done quickly and accurately. It helps you get the tax breaks you are due, such as the Earned Income Tax Credit. Providers use the latest technology to keep your tax information safe and secure.

Free File software products are perfect for anyone looking for savings, for first-time taxpayers seeking an easy introduction or for the experienced do-it-yourself filer. Free File is for federal tax returns only, although some providers offer state tax preparation for free or for a fee.

Free File does the hard work for you with brand-name software or online [Fillable Forms](#), exclusively at IRS.gov. If you made \$58,000 or less, you are eligible for a free tax software product. If you made more than \$58,000 or you are comfortable preparing your own tax return, you can use Free File [Fillable Forms](#), the electronic versions of IRS paper forms.

Free File [Fillable Forms](#) are more basic and probably best for people comfortable preparing their own tax return. They have no income limits; anyone can use it. Remember – these forms are for federal tax returns only.

You can also e-file for free, which means a fast refund and an electronic receipt from the IRS. Combine e-file with direct deposit and get a refund in as few as 10 days. If you owe, you can file early and pay anytime before the April tax deadline through automatic withdrawal.

Employers, you can help spread the message! You can include information about Free File in payroll or W-2 statements to employees or in internal communications. You can post an April Tax Day count-down widget on your website. (Just go to [www.freefile.irs.gov](http://www.freefile.irs.gov) and copy the widget code). You can place information about Free File on your Facebook page or Twitter account. We have a variety of tools and information available to partners on [www.freefile.irs.gov](http://www.freefile.irs.gov) to help spread the word about this program.

Free File is available starting January 14, 2011. Explore your options at [www.irs.gov/freefile](http://www.irs.gov/freefile).

### Transitional Relief for Tax Deposits

Due to the new requirement that federal tax deposits will be received via the [Electronic Federal Tax Payment System](#), the determination of timely deposits has changed. Deposits are required to be made only on business days, which include every calendar day other than Saturdays, Sundays, or legal holidays. Since deposits can be made using the [Electronic Federal Tax Payment System](#) 24 hours a day, seven days a week, the final regulations provide that the term “legal holiday” for FTD purposes includes only those legal holidays in the District of Columbia.

In order to allow time the IRS and taxpayers need to prepare for the transition from banking days to business days, the IRS will not assert penalties for delinquent deposits made during calendar year 2011 when depositors use statewide legal holidays in the state in which they make their deposits to determine the FTD due date.

### 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 (405) 297-4407, or via e-mail at [leg@itg.schemes@irs.gov](mailto:leg@itg.schemes@irs.gov).



## Governmental Retirement Plans – Determination Letters

Governmental retirement plans are not required to file for a determination letter. However, receiving a favorable determination letter provides a plan assurance that the form of the plan's document conforms to the tax-qualification requirements of the Internal Revenue Code at that time.

Additionally, plans may be required to have a favorable determination letter in order to use the Employee Plans Compliance Resolution System (EPCRS). EPCRS is a voluntary correction program that permits plan sponsors to correct certain errors that can cause disqualification or other sanctions.

Governmental retirement plans have until January 31, 2011 (the end of the current Cycle E) to file for a determination letter with the IRS. Otherwise, these plans will not be able to file an "on-cycle" determination letter application until February 1, 2013 (the beginning of the next Cycle C). An application that is not filed "on-cycle" may face processing delays.

For more information:

- Read our in-depth article on Governmental Plan Determination Letters under Cycle E.
- Visit the [Governmental Plans](#), [Correcting Plans Errors](#) and the [Determination Letters](#) web pages.
- E-mail your questions to [governmentalplansdialogue@irs.gov](mailto:governmentalplansdialogue@irs.gov).
- Subscribe to [Governmental Plans Updates](#) to receive free periodic e-mail updates about recent developments for governmental plans.

### Information Return Form 1042-S

The [July 2010 newsletter](#) addressed [Form 1042-S](#) (Foreign Person's US Source Income Subject to Withholding) filing and furnishing requirements. This article provides a follow-up with an emphasis towards our tribal casino operators.

Within the IRS, the Large Business and International Foreign Payments & International Reporting Division oversees compliance related to foreign withholding, reporting requirements, and penalty notices.

The prevailing IRS position has been "leniency" when asserting penalties related to foreign withholding and reporting requirements. However, penalties will now be proposed and used as a compliance measure.

If applicable, penalties for either non-filing or filing inaccurate Form 1042-S for tax year 2009 will be issued in August 2011. Although corrective action for 2009 is not possible, a proactive approach to proper filing for tax year 2010 will go a long way toward avoiding penalties for intentional disregard.

If you receive a notice related to these penalties, please do not disregard it. The reason for emphasis now is provide you with time to show compliance and mitigate potential penalties.

The July newsletter highlighted the 1042-S filing due date of March 15<sup>th</sup>, whether the returns had to be sent to the IRS by paper or electronically by use of the [FIRE](#)

(Filing Information Returns Electronically System).

Primary errors found are

- Inaccurate filing
- Filing late
- Transmitting via paper when required to transmit electronically

In IRS [publication 1582](#) (Information Returns Vendor List) provides numerous vendors that prepare 1042-S's and many specifically cater to casinos.

#### *Changes to 1042-S Instructions*

Available for download is a new version of [Instructions for Form 1042-S \(Rev. Sep. 2010\)](#), which replaces versions prior to September 14, 2010.

On page 12, under Income Codes, Exemption Codes, and Recipient Codes, four new codes have been added:

1. Income code 40 - Other U.S. source dividend equivalents under section 871(m) (formerly 871(l))
2. Exemption code 10 - Qualified securities lender that assumes primary withholding responsibility for substitute dividends
3. Recipient code 21- Qualified securities lender-qualified intermediary
4. Recipient code 22 - Qualified securities lender - other

We encourage you to contact your ITG Specialist to answer any questions.



On October 25<sup>th</sup>, the 45<sup>th</sup> Annual ITCN (Inter Tribal Council of Nevada, Inc) Convention was held in Reno, NV at Circus Circus Resort Casino. Beyond the administrative duties of meetings and elections, the Convention focused on a wide variety of social & economic issues important to the tribes of Nevada: health & welfare, housing, economic development, tribal governance, tax issues relating to tribal operations, and small business ventures.

In order to demonstrate their commitment to Nevada tribes, all 3 Indian Tribal Government ("ITG") Specialists serving Nevada Tribes, including Jim Rivers, Mark Betzler, and Jonathan Trexel, as well as Group Manager Gil Akers and Operations Field Manager John Saltmarsh were in attendance. On Monday during the Executive Board Meeting, John Saltmarsh addressed the Board and those in attendance regarding current IRS issues relating to tribal operations in Nevada. He then introduced Gil Akers, who briefly spoke on local IRS issues and introduced the newest ITG Specialists covering the Nevada tribes: Jonathan Trexel & Mark Betzler.

For the remainder of Monday and Tuesday, besides attending meetings and presentations, the ITG group met with tribal representatives and elected officials. They also spoke with other representatives serving Nevada tribes, including the Indian Health Board of NV, USDA, Small Business Administration, and State of NV Indian Commission, Nevada Legal Services, among others. To finish the long day, on Tuesday evening the ITG representatives were graciously invited to attend the annual banquet. There they were able to experience Native American drums, invocations by respected elders, along with good food and the rousing comedy of native comedian Mitch Factor (Seminole & Menominee, Indian Head Start teacher and education manager for over ten years.)

On Wednesday the group was afforded the opportunity to present a four subject Power Point workshop: Election Workers, Excise Taxes, Income from the Land, and New Laws & Current Issues. Jonathan Trexel presented on the unique employment tax and withholding requirements for Election Workers, Mark Betzler on types of Excise Tax refunds available and how to claim them, Jim Rivers on Income from the Land and its taxability, and Jim Rivers & Gil Akers closed with a presentation on New Laws & Current Issues.

The Convention offered the ITG group a unique opportunity, at a single event, to learn about issues important to their customers, present IRS issues of significance to the tribes, meet with tribal representatives and elected officials, and field questions one on one and in a group environment. In a state like Nevada where many of the tribes are remotely located, having the opportunity to attend this Convention was time and resources well spent. ITG appreciates this opportunity and hopes for a continued presence at future ITCN conferences. Photos taken during the conference were shot by James Rivers.

(See page 10)



Note: Photos of ITCN Conference by ITG Specialist James Rivers



## Tax News For You!

### Individual Tribal Member & Employee Information

#### Making Work Pay Credit

In 2010, the Making Work Pay provision of the American Recovery and Reinvestment Act will provide a refundable tax credit of up to \$400 for working individuals and up to \$800 for married taxpayers filing joint returns. This tax credit will be calculated at a rate of 6.2 percent of earned income and will phase out for taxpayers with modified adjusted gross income in excess of \$75,000, or \$150,000 for married couples filing jointly. Taxpayers who received a \$250 Economic Recovery payment in 2010 from Social Security or the Veteran's Administration must reduce their Making Work Pay credit by that amount.

Schedule M, Making Work Pay and Government Retiree Credits, is to be used to calculate the amount of credit to be included on 2010 tax returns.



#### Who Qualifies for the Earned Income Credit?

The Earned Income Tax Credit (EITC) is a credit for people who earn low-to-moderate incomes. EITC can reduce taxes, and can mean a refund. In simple terms, working families and individuals may keep more of what they work for.

Find out who is eligible for the Earned Income Tax Credit (EITC) by answering some questions and providing basic income information using the [EITC Assistant](http://www.irs.gov/individuals/article/0,,id=130102,00.html). (<http://www.irs.gov/individuals/article/0,,id=130102,00.html>) Available in English and Spanish.

To Qualify for the EITC, Earned Income and adjusted gross income (AGI) must each be less than:

- \$43,352 (\$48,362 married filing jointly) with three or more qualifying children
- \$40,363 (\$45,373 married filing jointly) with two qualifying children
- \$35,535 (\$40,545 married filing jointly) with one qualifying child
- \$13,460 (\$18,470 married filing jointly) with no qualifying children

Tax Year 2010 maximum credit:

- \$5,666 with three or more qualifying children
- \$5,036 with two qualifying children
- \$3,050 with one qualifying child
- \$457 with no qualifying child



## Tax News For You!

### Individual Tribal Member & Employee Information

#### Volunteer Income Tax Assistance (VITA) Helps Prepare Tax Returns

Those needing assistance with their tax returns, may be able to get help at a volunteer tax preparation site. Certified volunteers sponsored by various organizations receive training to help prepare basic tax returns. Volunteer programs are aimed at taxpayers with low- to moderate-income (generally, \$50,000 and below). Trained community volunteers can help taxpayers find out if they are eligible for special credits, such as Earned Income Tax Credit, Child Tax Credit, and the American Opportunity Education Credit.

In addition to free tax return preparation assistance, most sites also offer free electronic filing (e-filing). Individuals taking advantage of the e-file program receive their refunds in half the time compared to returns filed on paper – even faster if the refund is deposited directly into the individuals bank account.

Taxpayers need to bring all wage and earnings statements (Forms W-2), interest and dividend statements (Forms 1099), a copy of last year's return, Social Security Numbers (or Individual Tax Identification Numbers) and birth dates for each person shown on the return, and any other information concerning income and expenses for 2010. For joint returns, both individuals must be present to sign the required forms.

To locate the nearest volunteer sites, call the IRS at 1-800-906-9887. Tax-Aide sites can also be found by using the [site locator](#) at AARP Tax-Aide's web site, or calling 1-888-227-7669. Many sites open in early February.

#### Increased Adoption Tax Credit

For those **adopting a child, a bigger tax credit** may apply. The Affordable Care Act raised the maximum amount of the adoption tax credit to \$13,170 per child. And it's refundable, so even those who don't owe tax may qualify.

The credit is based on qualifying expenses like adoption fees, court costs, attorney's fees and travel expenses. This larger credit is only for tax years 2010 and 2011. Any amounts reimbursed are subtracted from the total adoption expenses when figuring the credit.

The credit starts to decrease at incomes of \$182,520. Other special rules apply to foreign and special needs adoptions, and adoptions that are not final.

All receipts should be kept for qualifying expenses. Examples of other documents include a domestic or foreign adoption decree, a placement agreement from an authorized agency, and state determination of special needs for adoption of a special needs child.

Form 8839, *Qualified Adoption Expenses*, is to be completed and attached (along with any required documentation) to your tax return, and mailed to the applicable IRS location. Find out more about the credit and how to claim it at [www.IRS.gov](http://www.IRS.gov).



## Notes from the Western Edition Editor: Relationship Building, ITCN Convention

With this first issue of 2011, we at ITG wish all of you a Happy, Healthy New Year! We want to emphasize the importance we place on relationship building with all of our Tribal entity contacts.

ITG had a significant presence at the ITCN Convention (see article on pages 9-10). Our National Field Operations Manager, our Group Manager, and all three of our ITG Specialists who work with Nevada tribes attended and participated. Learning about issues of importance to Nevada tribes, presenting IRS topics, meeting with Tribal representatives and elected officials, and fielding questions during this conference was very valuable to our ITG team. We recently realigned our tribal assignments to designate three of our six Western area ITG Specialists to work with Nevada tribes, along with their California tribal assignments. Additionally, we added two of these Specialists to our newsletter team to ensure Nevada tribes have a voice in our newsletter content. In fact, the three Specialists who work with Nevada tribes and attended the conference wrote the aforementioned article in this issue. In times of limited resources, we are particularly proud that we are able to show our commitment to Nevada tribes in this manner.

With this New Year, we strive to enhance our connection with key tribal entity contacts and further open our lines of communication. If you do not know who your assigned Specialist is, please access the tribal assignment list by clicking on this link: <http://www.irs.gov/govt/tribes/article/0,,id=96133,00.html> . You may also contact our Group Manager, Gil Akers, to assist you in determining who your Specialist is. As always, you may reach me at [Scott.J.Karafin@irs.gov](mailto:Scott.J.Karafin@irs.gov) or (619) 744-7164.

### Western Area ITG Staff:

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# Federal Tax Calendar for First Quarter 2011

## January 2011

Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1 New Year's Day
2	3	4	5	6	7 Make a deposit for Jan 1-4*	8
9	10 Employees are required to report tips of \$20 or more	11	12 Make a deposit for Jan 5-7*	13	14 Make a deposit for Jan 8-11*	15
16	17 Martin Luther King Jr.'s Birthday	18 Make a deposit for Dec under monthly deposit rule.**	19	20 Make a deposit for Jan 12-14*	21 Make a deposit for Jan 15-18*	22
23	24	25	26 Make a deposit for Jan 19-21*	27	28 Make a deposit for Jan 22-25*	29
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

#### January 31

- File Form 720 for 4th quarter of 2010.
- Furnish Forms 1098, 1099, W-2, W-2G to recipients for certain payments during 2010.
- File Form 730 and pay tax on wagers accepted during Dec 2010.
- File Form 2290 and pay tax for vehicles first used in Dec 2010.
- File Forms 941, 943, 944, and/or 945 if you did not deposit all taxes when due.



# February 2011

Sun	Mon	Tue	Wed	Thu	Fri	Sat
		1	2 Make a deposit for Jan 26-28*	3	4 Make a deposit for Jan 29-Feb 1*	5
6	7	8	9 Make a deposit for Feb 2-4*	10 Employees are required to report tips of \$20 or more.	11 Make a deposit for Feb 5-8*	12
13	14	15 Make a deposit for Jan under monthly deposit rule.**	16 Make a deposit for Feb 9-11*	17	18 Make a deposit for Feb 12-15*	19
20	21 <b>Washington's Birthday</b>	22	23	24 Make a deposit for Feb 16-18*	25 Make a deposit for Feb 19-22*	26
27	28	* = 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.

## Order the Tax Calendar for Small Businesses and Self-Employed

The Tax Calendar for Small Business and Self-Employed (Pub 1518, [Catalog Number 12350Z](#)) is a 12-month wall calendar. It is filled with useful information on general business taxes, IRS and SSA customer assistance, electronic filing and paying options, retirement plans, business publications and forms, and common tax filing dates. Each page highlights different tax issues and tips that may be relevant to small business owners with room on each month to add notes, state tax dates, or business appointments. [Copies can be ordered online](#) or from the IRS by calling (800) 829-3676.

## Return Filing Dates

### **February 28**

- File information returns, including Forms 1098, 1099, and W-2G for payments made during 2010.
- File Form W-3 with Copy A of all Forms W-2 issued for 2010.
- File Form 8027 if you are a large food or beverage establishment.
- File Form 730 and pay the tax on wagers accepted during Jan 2011.
- File Form 2290 and pay tax for vehicles first used in Jan 2011.



# March 2011

Sun	Mon	Tue	Wed	Thu	Fri	Sat
		1	2 Make a deposit for Feb 23-25*	3	4 Make a deposit for Feb 26-Mar 1*	5
6	7	8	9 Make a deposit for Mar 2-4*	10 Employees are required to report tips of \$20 or more.	11 Make a deposit for Mar 5-8*	12
13	14	15 Make a deposit for Feb under monthly deposit rule.**	16 Make a deposit for Mar 9-11*	17	18 Make a deposit for Mar 12-15*	19
20	21	22	23 Make a deposit for Mar 16-18*	24	25 Make a deposit for Mar 19-22*	26
27	28	29	30 Make a deposit for Mar 23-25*	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.

**Did you know?**

You can [subscribe and/or download](#) the tax calendar to your Outlook or iCal.

## Return Filing Dates

**March 31**

- Electronically file Forms W-2, W-2G, 1098, 1099 and 8027.
- File Form 2290 and pay tax for vehicles first used in Feb.
- File Form 730 and pay tax on the wagers accepted during Feb.