ITG News

Indian Tribal Governments

Keeping First Nations Informed

July 2010

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CDFI Fund Announces New Native Initiatives Workshop Series

The Community Development Financial Institutions Fund (CDFI Fund) launched its new "Economic Development Strategies in Indian Country" workshop series. Co-sponsored with the Federal Reserve Bank of San Francisco, Seattle Branch, the workshops are being conducted to promote economic development in Native communities across the country. Participants will learn about resources available for Native economic development initiatives from the federal government and regional programs.

"We are excited about this opportunity to partner with the Federal Reserve Bank to build upon our Native Initiatives efforts," said CDFI Fund Director Donna Gambrell. "We are always exploring ways to help our nation's distressed communities during the current economic recovery. We must remember the unique challenges our communities face, especially in Native areas across the nation. These workshops will help participants identify new ways to stimulate and revitalize their Native economic and community development programs."

The CDFI Fund and Federal Reserve staff will facilitate day-long workshops, featuring various federal agencies and industry experts. Participants will be able to attend seminars on designing successful economic development strategies while networking with regional practitioners and local support organizations. Five cities will host the workshops - Albuquerque, Anchorage, Sacramento, Oklahoma City and Seattle.

"The "Economic Development Strategies in Indian Country" workshops are part of our overall plan to help ensure that economic opportunities are equally available throughout the nation, including Indian Country," said Scott Turner, Vice President and Community Affairs Officer of the Community Development Department, Federal Reserve Bank of San Francisco. "After holding over 100 meetings on reservations within the 12th District, we understand the many difficulties confronting tribes and their members. We are proud to join with the CDFI Fund on this initiative and look forward to learning how we can support efforts to promote community and economic development in Indian Country."

A decade of service to America's first nations.

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For more information about the series as well as to register for a specific workshop, please visit: http://www.frbsf.org/community/resources/events.html

2010 Economic Development Strategies in Indian Country Workshop Schedule

- July 28, 2010: Sacramento, California
- August 17, 2010: Seattle, Washington
- August 19, 2010: Anchorage, Alaska
- September 16, 2010: Albuquerque, New Mexico

About the Native Initiatives

The CDFI Fund's Native Initiatives work to increase access to credit, capital, and financial services in communities by creating and expanding CDFIs primarily serving Native communities. This is achieved through two principle initiatives: 1) a funding program – the NACA Program – targeted to increasing the number and capacity of existing or new Native CDFIs, and 2) a complementary series of training programs, called "Expanding Native Opportunities," that seeks to foster the development of new Native CDFIs, strengthen the operational capacity of existing Native CDFIs, and guide Native CDFIs in the creation of important financial education and asset building programs for their communities.

About the CDFI Fund

Since its creation in 1994, the CDFI Fund has awarded almost $1.2 billion to CDFIs, community development organizations and financial institutions through CDFI Program, the Bank Enterprise Award Program, and the Native Initiatives. In addition, the CDFI Fund has allocated $26 billion in tax credit authority to Community Development Entities through the New Markets Tax Credit Program.

For more information on the CDFI Fund and its programs, please visit www.cdfifund.gov.

Customer Satisfaction Survey is Coming

As a reminder, our annual Customer Satisfaction Survey will be in the mail in the near future. The purpose of the survey is to obtain feedback from our customers that will allow us to measure customer satisfaction with our products and services, and to determine areas where we need to effect operational changes.

New excise tax on tanning services

A 10-percent excise tax on indoor UV tanning services went into effect on July 1, 2010. The tax doesn't apply to phototherapy services performed by a licensed medical professional on his or her premises. There's also an exception for certain physical fitness facilities that offer tanning as an incidental service to members without a separately identifiable fee. For additional information, please see the frequently asked questions page at http://www.irs.gov/businesses/small/article/0,,id=224600,00.html

NEW JOBS TAX BREAKS

Employers may qualify for **two new tax breaks** when they hire someone who has not worked for more than 40 hours in the past 60 days. These breaks are part of the **Hiring Incentives to Restore Employment (HIRE) Act.**

Here's what you should know.

6.2 percent payroll tax exemption

You may be exempt from your 6.2 percent share of social security tax on wages paid to qualified employees, effective for wages paid from March 19, 2010, through December 31, 2010. Most employers will claim it on Form 941, Employer's QUARTERLY Federal Tax Return, beginning with the second quarter of 2010. The exemption will also be claimed on annual payroll tax returns such as Form 944, Employer's ANNUAL Federal Tax Return.

Tax credit up to $1,000 per worker

You may claim an additional new hire retention credit, up to $1,000 for each qualified employee you keep as an employee for at least a year and whose wages are not significantly reduced in the second half of the year. You claim it on your income tax return for your business, usually in tax year 2011.

Qualified employers

You may qualify for these tax breaks if you are a small or large business, tax-exempt organization, public college or university, Indian tribal government or farmer. But household employers and federal, state and local government employers, other than public colleges and universities, do not qualify.

Qualified employees

Generally, those beginning employment with you after February 3, 2010, and before January 1, 2011, who were either unemployed or worked 40 hours or less for anyone during the previous 60 days can qualify. You must get a Form W-11, or similar signed affidavit, from new hires certifying they were not employed for more than 40 hours during the 60 days before beginning employment.

Learn more about HIRE and new jobs tax breaks at www.IRS.gov

Information worth knowing.

IRS

Publication 4865 (6-2010) Catalog Number 55220Y Department of the Treasury **Internal Revenue Service** www.irs.gov

Filing and Furnishing Form 1042-S

It is not a question of "if" a tribal casino will ever need to file and furnish Form 1042-S (Foreign Person's US Source Income Subject to Withholding), but "when". As the international global economy has expanded and diversified, so too has the increase in tribal casinos foreign patrons, and the use of foreign entertainers and athletes. In some instances a tribe may be making per-capita payments to non-resident alien tribal members (members who are not U.S. citizens or resident aliens). Filing and furnishing Form 1042-S more than likely would be required in these situations described.

The withholding agent (the tribal casino or tribal entity) has identification, withholding, deposit requirements (Form 1042) and filing and furnishing Form 1042-S responsibilities associated with transactions with the parties listed in the paragraph above. The general rule is payments are subject to 30% withholding unless the payee can establish the United States has a tax treaty with the payee's foreign country documenting a lesser amount. Publication 901 *U.S. Tax Treaties* can be referred to determine the appropriate withholding tax amount.

To ensure that your Forms 1042-S can be processed, refer to Publication 515 – *Withholding of Tax on Nonresident Aliens and Foreign Entities*

Form 1042-S is due by March 15th and can be sent on paper or electronically (Tribal Casinos give the payee their copies of Form 1042-S at the time gambling winnings are won).

If you file 250 or more Forms 1042-S you are **required** to submit them electronically. Electronic returns are filed using the Filing Information Returns Electronically (FIRE) System http://fire.irs.gov. Even though fewer than as many as 249 Forms 1042-S may be submitted on paper, the IRS encourages filers to transmit electronically. Refer to Publication 1187 for electronic submission of forms 1042-S.

If filing less than 250 Forms 1042-S and you choose to file paper forms, file copy A of the forms along with Form 1042-T (Annual Summary and Transmittal of Forms 1042-S) and mail to:
Ogden Service Center
P.O. Box 409101
Ogden, UT 84409

Detailed instructions for completion of Forms 1042-T are included on the form itself. Detailed instructions for completion of Form 1042-S are included with the form 1042-S.

The primary errors associated with the filing and furnishing of Form 1042-S are that the forms are filed late, are inaccurate, or were transmitted via paper when required to be transmitted electronically. Penalties may be imposed for these situations.

You are encouraged to contact your ITG Specialist to answer any questions you have related to payments to Foreign Person's.

Message from the Director

In the last newsletter I discussed the actions Treasury Department has taken recently to develop and implement a Tribal Consultation Policy to govern all Treasury offices, including the IRS. Treasury is continuing to work toward the goal of more open communication with the Tribes and has just published a Notice in the Federal Register asking for input related to Tribal Economic Development Bonds. The article on page 4 of this newsletter, *Treasury Seeks Comments Regarding Tribal Bonds*, points you to our website for a link to the Notice. The provision in the American Reinvestment and Recovery Act (ARRA) that created $2 billion in expanded bonding authority for tribal governments, also required Treasury to report to Congress on the effectiveness of the provision. In our various consultation meetings this year, tribal representatives asked Treasury to utilize consultation in developing that very important report. The purpose of the Notice is to do just that. Treasury wants tribal input on specific issues related to the "essential governmental function" test and other aspects of bond financing in Indian Country. The information Tribes provide will be used to formulate the report to Congress. I would encourage you to make sure that tribal leadership and those who deal with financing at your Tribe are aware of this opportunity to have input on the report.

In addition to ARRA, several other legislative provisions have items that impact Tribal Governments. One item arises from the Hiring Incentives and Restore Employment (HIRE) Act. If the Tribe hires a qualifying individual this year, the Tribe may be eligible for a payroll tax exemption related to that individual. State and local governments are NOT eligible for this exemption but Tribal Governments are so be sure to look at this new provision to see if you might benefit. An article is in this newsletter (Page 3) to assist you.

Christie Jacobs

Treasury Seeks Comments Regarding Tribal Bonds

The Department of the Treasury seeks comments from Indian Tribal Governments regarding the Tribal Economic Development Bond provision of the Internal Revenue Code. The purpose of this solicitation of comments is to assist Treasury in developing recommendations regarding this bond provision for a Congressionally-directed study under the American Recovery and Reinvestment Act of 2009.

Please visit the link below for additional information.

http://www.irs.gov/govt/tribes/index.html

Tax News For You!

Individual Tribal Member Information

Five Facts about the Making Work Pay Tax Credit

IRS Summertime Tax Tip 2010-06

1.This credit – still available for 2010 – equals 6.2 percent of a taxpayer's earned income. The maximum credit for a married couple filing a joint return is $800 and $400 for other taxpayers.

2. Eligible self-employed taxpayers can benefit from the credit by evaluating their expected income tax liability and, if they are eligible, by making the appropriate adjustments to the amounts of their estimated tax payments.

3. Taxpayers who fall into any of the following groups during 2010 should review their tax withholding to ensure enough tax is being withheld. Those who should pay particular attention to their withholding include:

- Married couples with two incomes
- Individuals with multiple jobs
- Dependents
- Pensioners
- Workers without valid Social Security numbers

Having too little tax withheld could result in potentially smaller refunds or – in limited instances –small balance due rather than an expected refund.

4. The Making Work Pay tax credit is reduced or unavailable for higher-income taxpayers. The reduction in the credit begins at $75,000 of income for single taxpayers and $150,000 for couples filing a joint return.

5. A quick withholding check using the IRS Withholding Calculator on IRS.gov may be helpful for anyone who believes their current withholding may not be right. Taxpayers can also check their withholding by using the worksheets in IRS Publication 919, How Do I Adjust My Tax Withholding?. Adjustments can be made by filing a revised Form W-4, Employee's Withholding Allowance Certificate. Pensioners can adjust their withholding by filing Form W-4P, Withholding Certificate for Pension or Annuity Payments.

For more information about this and other key tax provisions of the Recovery Act, visit IRS.gov/recovery.

MID-YEAR PAYROLL RECONCILIATION

We are approaching the middle of 2010. I know you are asking…."What can I do to make my end of year employment taxes easier?"

I'm glad you ask, because, there are a number of things you can be doing now that will pay great benefits to you at the year end. The First Two Quarters of the year are done.

You should have submitted your first and second quarters' Form 941's and made your monthly employment tax deposits at the bank or through EFTPS. If you have not done both of those things then do them immediately. Once you have your Form 941's filed and your deposits made, then we can do our Mid-Year Payroll Reconciliation.

What do you need to do to reconcile the first half of the year? You need your first two quarterly Form 941's. You need your payroll records and you need a big cup of coffee (optional). The easiest way to accomplish the reconciliation is on a spreadsheet. Using your payroll journals (spreadsheets) for each month, you fill in the blanks below.

2010 Month	Gross Wages	Fed. Inc. Tax Withheld	6.2% Social Sec Wages Tax	Social Sec	1.45% Medi Wages Tax	Medi
Jan	$5000	$195	$2000	$124	$2000	$29
Feb	$5000	$195	$2000	$124	$2000	$29
Mar	$5000	$195	$2000	$124	$2000	$29
Apr	$5000	$195	$2000	$124	$2000	$29
May	$5000	$195	$2000	$124	$2000	$29
Jun	$5000	$195	$2000	$124	$2000	$29
TOTALS	$30000	$1170	$12000	$744	$12000	$174

Trick Question: Why is Social Security Wages and Medicare wages LESS than Gross Wages? Because the President, Vice-President and Secretary-Treasurer are NOT subject to the Social Security and Medicare tax. But, of course, you knew that!

Now that we have the payroll totals, what do we compare them to in our Mid-Year Payroll Reconciliation? Well, let's turn to the next page and see!

MID-YEAR PAYROLL RECONCILIATION (Cont)

2010 Form 941	Gross Wages	Fed. Inc. Tax Withheld	Social Sec Wages	Social Sec Tax	Medi Wages	Medi Tax
Quarter 1	$15000	$585	$6000	$744	$6000	$174
Quarter 2	$15000	$585	$6000	$744	$6000	$174
941 Totals	$30000	$1170	$12000	$1488	$12000	$348
Divide SS And Medi by 2				$744		$174
Match the Totals From Payroll	$30000	$1170	$12000	$744	$12000	$174

We divide the Social Security Tax and the Medicare Tax by two because our payroll records show only the amount withheld from the Employees' checks. The other half is paid by the employer. So, to match our payroll and Form 941 totals we have to make the adjustment. We will do the same process at the end of the year, but, we will match our numbers to the Form W-2's and W-3, also.

The Last Two Quarters are at hand. You need to file your Form 941's on-time and make your deposits timely. The Third Quarter Form 941 is due October 31st and the Fourth Quarter Form 941 is due January 31, 2010. Deposits are due monthly. Don't let your Chapter get behind and have to pay all those late penalties.

Need help with the mid-year reconciliation or any other topic? Just call your ITG Specialist listed on Page 9.

Your Indian Tribal Governments Specialists

Sometimes you just need a little help and other times you need more. ITG has assigned a Specialist to each of the Navajo Nation Agencies and Chapters. The following Specialists are your first-line IRS contacts:

Eastern Agency	**Marvin E. Millsap** **Email: Marvin.E.Millsap@IRS.GOV**	**(602) 636-9189**	**Fax (602) 636-9665**
Northern Agency	**Tiffany Zerangue** **Email: Tiffany.Zerangue@IRS.GOV**	**(505) 837-5633**	**Fax (505) 837-5654**
Western Agency	**Theresa Nosie** **Email: Theresa.S.Nosie@IRS.GOV**	**(480) 503-7318**	**Fax (480) 503-7320**
Chinle Agency	**Aaron Coleman** **Email: Aaron.H.Coleman@IRS.GOV**	**(623) 643-0489**	**Fax (602) 207-8002**
Ft. Defiance Agency	**Tricia L. Miller** **Email: Tricia.L.Miller@IRS.GOV**	**(520) 205-5078**	**Fax (520) 670-4823**

Feel free to contact any or all of them if you need assistance. If you can't reach any of the Specialists, just call our Manager: Lonnette L. Graham at (505) 837-5536, Fax (505) 837-5654, or Email: Lonnette.L.Graham@IRS.GOV.

Federal Tax Calendar for Third Quarter 2010

July 2010

Sun	Mon	Tue	Wed	Thu	Fri	Sat
			File Form 11-C to register and pay annual tax (if you take wagers).	1	2 Make a deposit for June 26-29.*	3
4	5	6	7	8 Make a deposit for June 30—July 2.*	9 Make a deposit for July 3-6.*	10
11	12 Employees are required to report to you tips of $20 or more earned during June.	13	14 Make a deposit for July 7-9.*	15 Make a deposit for June under monthly deposit rule.**	16 Make a deposit for July 10-13.*	17
18	19	20	21 Make a deposit for July 14-16.*	22	23 Make a deposit for July 17-20.*	24
25	26	27	28 Make a deposit for July 21-23.*	29	30 Make a deposit for July 24-27.*	31

August 2010

Sun	Mon		Wed	Thu	Fri	Sat
1 File Form 941 the 2nd calendar quarter of 2010.	2 Form 730 for wagers received during June.	File Form 720 the 2nd calendar quarter of 2010.	4 Make a deposit for July 28-30.*	5	6 Make a deposit for July 31—August 3.*	7
8 File Form 5500 for calendar year 2009.		10 Employees are required to report to you tips of $20 or more earned during July.	11 Make a deposit for Aug 4-6.*	12	13 Make a deposit for Aug 7-10.*	14
15	16 Make a deposit for July under monthly deposit rule.**	17	18 Make a deposit for Aug 11-13.*	19	20 Make a deposit for Aug 14-17.*	21
22	23	24	25 Make a deposit for Aug 18-20.*	26	27 Make a deposit for Aug 21-24.*	28
29	30	31 Form 730 for wagers received during July.				

* = 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.

September 2010

Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1 Make a deposit for Aug 25-27.*	2	3 Make a deposit for Aug 28-31.*	4
5	6	7	8	9 Make a deposit for Sept 1-3.*	10 Employees are required to report to you tips of $20 or more earned during August. Make a deposit for Sep 4-7.*	11
12	13	14	15 Make a deposit for Sep 8-10.* Make a deposit for August under monthly deposit rule.**	16	17 Make a deposit for Sep 11-14.*	18
19	20	21	22 Make a deposit for Sep 15-17.*	23 Form 730 for wagers received during August.	e a deposit for Sep 18-21.*	25
26	27	28	29 Make a deposit for Sep 22-24.*	30		

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

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

Did you know?

You can subscribe/download the tax calender to your Outlook or iCal. Just go to the link below and follow the instructions.

http://www.irs.gov/businesses/small/article/0,,id=176080,00.html

Return Filing Dates

August 2nd

> File Form 941 for the 2nd quarter of 2010. If all deposits were paid on time and in full, file by August 10th.
> File Form 730 and pay the tax on applicable wagers accepted during June 2010.
> File Form 720 for 2nd quarter of 2010.
> File Form 5500 or 5500-EZ for calendar year 2009 (if you maintain an employee benefit plan).

August 31

> File Form 730 and pay the tax on applicable wagers accepted during July 2010.

September 30

> File Form 730 and pay the tax on applicable wagers accepted during August 2010.