

Medicare taxes and withheld income taxes paid on behalf of its employees in accordance with § 31.6302-1 and must report these taxes on Form 941. Employers subject to FUTA must aggregate and deposit FUTA amounts associated with a § 457(b) plan with all other FUTA amounts paid on behalf of its employees in accordance with § 31.6302(c)-3 and must report these payments on Form 940.

VI. ANNUAL REPORTING FOR § 457 PLANS

A. Section 457(b) Plans of Tax-Exempt Organizations

Annual deferrals and payments to certain participants in a § 457(b) plan of a tax-exempt organization are reported on the organization's Form 990 in the manner described in the instructions to that form.

B. § 457(g) Trusts

A trust described in § 457(g) is not required to file Form 990, Return of Organization Exempt From Income Tax, Form 1041, U.S. Income Tax Return for Estates and Trusts, Form 1120, U.S. Corporation Income Tax Return, or Form 5500, Annual Return/Report of Employee Benefits Plans. See, for example, Rev. Proc. 95-48, 1995-2 C.B. 418, which provides that governmental units and affiliates of governmental units that are exempt from federal income tax under § 501(a) are not required to file annual information returns on Form 990, Return of Organization Exempt From Income Tax. A trust described in § 457(g) may be required to file Form 990-T, Exempt Organization Business Income Tax Return. See §§ 1.6012-2(e) and 1.6012-3(a)(5) for the requirements for filing Form 990-T.

VII. OTHER INFORMATION AVAILABLE

Further information regarding the reporting, payment and deposit of employment taxes such as social security, Medicare, FUTA, and withheld income tax can be found in Publication 15, Circular E, Employer's Tax Guide; Publication 15-A, Employer's Supplemental Tax Guide; and Publication 963, Federal-State Reference Guide: Social Security Coverage and FICA Reporting by State

and Local Government Employers. These publications will be revised, as appropriate, to reflect the proper treatment of trusts under section 457(g).

VIII. EFFECTIVE DATE

This notice is applicable with respect to deferrals and distributions made after December 31, 2001. Plan sponsors, plan administrators and taxpayers may rely on this Notice for distributions and deferrals before January 1, 2002.

IX. REQUEST FOR COMMENTS

The Internal Revenue Service requests comments concerning this notice, and welcomes comments on any other useful approaches the Service might consider regarding the administration of § 457(b) plans, including alternatives to Form W-2 reporting. Comments can be addressed to the Internal Revenue Service, Office of Associate Chief Counsel, CC:TEGE:EB:QP2, Room 5201, 1111 Constitution Avenue, Washington, D.C. 20224. In addition, comments may be submitted electronically via the Internet by sending them in an e-mail to: joel.s.rutstein@m1.irs.counsel.treas.gov and specifying that the comments concern Notice 2000-38.

DRAFTING INFORMATION

The principal author of this notice is John Tolleris of the Office of the Associate Chief Counsel/Division Counsel (Tax Exempt/ Government Entities). However, other personnel from the IRS and Treasury participated in its development. For further information regarding this notice, contact John Tolleris at (202) 622-6060 (not a toll-free number).

IRS Releases New Form 8872, Political Organization Report of Contributions and Expenditures

Notice 2000-41

The Internal Revenue Service on July 17, 2000, announced the release of the new form that section 527 political organizations must use to provide details about contributions and expenditures. The agency also extended the filing deadline until July 31, 2000, for groups required to file this month.

Form 8872, *Political Organization Report of Contributions and Expenditures*, will require groups to list contributors of \$200 or more annually and expenditures of \$500 or more annually.

This marks the second new IRS form covering section 527 organizations. This follows a new law approved in June 2000 by Congress and signed July 1, 2000, by President Clinton that creates a new set of rules for political organizations established under section 527 of the Internal Revenue Code. Under the new law, these 527 groups will be required to publicly disclose details about their organization, contributors, expenditures, annual returns and other information.

"The IRS continues moving forward with this important project as quickly as possible," IRS Commissioner Charles O. Rossotti said. "Putting these new rules in place is a top priority."

Form 8872 and related instructions are now available at the IRS web site, www.irs.gov, under the "Forms and Pubs" section. Look under "What's Hot in Tax Forms." Form 8872 can be downloaded at ftp.fedworld.gov/pub/irs-fill/f8872.pdf. The Form 8872 instructions are available at ftp.fedworld.gov/pub/irs-pdf/i8872.pdf.

The new form requires 527 organizations to list the name, address, employer and occupation of contributors who give \$200 or more annually to the organization. Similar information will be listed for groups or individuals receiving \$500 or more annually from 527 organizations. The disclosure covers contributions received and expenditures made after July 1, 2000.

The due dates for filing Form 8872 vary depending on whether it is an election or non-election year. In non-election years, the forms must be filed semi-annually or monthly. In election years, the forms must be filed quarterly or monthly and in connection to election dates. A complete listing of these filing periods can be found in the Form 8872 instructions.

Some organizations potentially face July 2000 filing deadlines for pre-election reports. However, the IRS realizes many 527 organizations may not yet be aware of this deadline, so the agency has decided to extend the deadline for any July 2000 filings of Form 8872 until July 31, 2000.

The IRS made the decision to give groups additional time to learn about the new requirements.

This follows a similar IRS decision to set July 31, 2000, as the deadline for these organizations to file Form 8871, *Political Organization Notice of Section 527 Status*. This notice of organization is also available at the IRS web site in the "Forms and Pubs" section. See Notice 2000-36, page 173, for more information about Form 8871.

Generally, section 527 organizations must file Form 8872 if they accept contributions or make expenditures during a calendar year. However, organizations do not file Form 8872 if:

- The organization is not required to file Form 8871, or
- They are the state or local committee of a political party or the political

committee of a state or local candidate.

However, the IRS wants to alert many other state and local political organizations that they may need to file Forms 8871 and 8872. The new law generally covers 527 organizations active in state and local political campaigns as well as 527 organizations active in federal elections.

The IRS will assess penalties if an organization fails to file Form 8872 by the due date. Penalties will also be assessed if the organization fails to report all of the information required on the form or reports incorrect information. The penalty is 35 percent of the total amount of contributions and expenditures not properly reported.

Organizations must make copies of filed Forms 8872 and 8871 available for public inspection. In addition, the IRS is

working on procedures to make these available for public inspection.

"We are doing everything we can to make information from these groups publicly available as soon as possible," Rossotti said.

The IRS also is in the process of determining which forms will be used as annual returns by 527 organizations with gross receipts of \$25,000 or more. These returns also will be available for public review.

DRAFTING INFORMATION

The principal author of this notice is John Francis Reilly of the Exempt Organizations Division. For further information regarding this announcement contact John Francis Reilly on (202) 622-7352 (not a toll-free call).