



# ITG News



Keeping First Nations Informed

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## Before You File Forms 1099 and W-2G

Have you ever had to resolve TIN/name mismatch notice problems? Do you know what is required in order to avoid mismatch penalties in the future?

Although information return filing and mismatch penalties have been topics of discussion in this newsletter several times, here is one more pre-filing tip that you can implement NOW that may help you avoid problems in the future...

- Check your 1099/W-2G data before you file your information returns.
- Run a report with a "sort" by TIN to look for numbers that have more than one name associated with them.
- Then, run those reports again with a "sort" by name—do you have any names on that list that have more than one TIN?

Is there a difference in TIN that could be attributed to an input error or a transposed number? Are there any transactions with no TIN, or an obviously improper TIN?

If you run these reports NOW, you will have time to resolve the identified discrepancies before the information returns are due.

Double-check the information obtained from the customer at the time of the transaction—do you have copies of documents in your files that can resolve the difference? Can you contact the customer to request a confirmation of the proper information?

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



*Double check the information obtained from the customer at the time of the transaction....*

### IN THIS ISSUE

Before you File Forms 1099 and W-2G	1
Message from the Director	2
Tax Calendar for the 1st Quarter 2010	3/4
FIRE...Filing Information Returns Electronically	5
Free Tax Preparation Available	6
Free Work Shops	7/8
EITC Awareness Day is January 29, 2010!	9
Tax Return Preparer Fraud	10
Buy US Savings Bonds With Your Tax Refund/ Mandatory Electronic Filing	11/12
IRS Announces 2010 Standard Mileage Rates	13
Tax News For You!	14/15
ITG Area Contacts	16



## Message from the Director

Happy New Year from all of us at the Indian Tribal Governments Office! We hope that 2010 finds all of you well and we look forward to working with you as we begin the new decade.

As the calendar turns to a new year, each of us must turn our attention to our various roles in tax filing season. If you're involved in payroll, it is time to prepare year-end reporting for your employees and issue information returns. You will see that most of the material in this edition of the newsletter is focused on assisting you with those activities. You will also find extensive material on our website [www.irs.gov/tribes](http://www.irs.gov/tribes). In addition, your ITG Specialists are available to answer any questions or assist with any problems you may encounter as you complete those year-end responsibilities.

Each of us also needs to begin preparing to file our individual tax returns. The IRS offers many free or low cost methods for you to file your return. In most instances, you can file electronically and save time as well as receive any refund you may be entitled to very quickly. Through our Volunteer Income Tax Assistance (VITA) program, you can also walk into a site and have your return prepared for free. Those sites are staffed by volunteers and sponsored by a variety of organizations and Tribal Governments. I'd like to thank the Tribes that have dedicated resources to supporting the VITA program. Information on important individual filing topics is also included in this newsletter, including information on qualifying for the Earned Income Tax Credit (EITC) and how to find the VITA site nearest you.

A new year offers a time for renewal. In this new year, ITG would like to renew our efforts in providing outreach and education to Tribes. Many of you have asked us for expanded opportunities for training and workshops. We have heard you and plan to begin expanding the frequency of classes we have traditionally offered, such as Basic Employment Tax or Title 31. But we would also like to offer new topic areas and more focused training to fit your specific issues. We would like to target our workshops to the tax compliance areas of greatest concern for your Tribe. I'd like to encourage you to contact your assigned ITG Specialist and let them know what training or additional assistance you'd like to see offered in your area. They will use your input to ensure that we tailor our training to your needs, including determining where the training is offered.

All of us in ITG look forward to another year of working with the dedicated staff of the Tribal Governments and send you our wishes for a happy and healthy new year!

*Christie Jacobs*



# Federal Tax Calendar for First Quarter 2010

## January 2010

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

## February 2010

Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1 <i>Issue W-2's, W-2G's and 1099's</i> <i>File Form 941 the 4th quarter of 2009</i> <i>File Form 730 for December</i>	2	3 * Make a deposit for 1/27-1/29	4	5 * Make a deposit for 1/30-2/2	6
7	8		10 * Make a deposit for 2/3-2/5 Employees report January tip income to employers if \$20	11	12 * Make a deposit for 2/6-2/9	13
14	15	16 ** make a deposit for January if under the monthly deposit	17 * Make a deposit for 2/10-2/12	18	19 * Make a deposit for 2/13-2/16	20
21	22	23	24 * Make a deposit for 2/17-2/19	25	26 * Make a deposit for 2/20-2/23	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.

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



# March 2010

Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1 <i>File Form 730 for January</i>	2	3 * Make a deposit for 2/24-2/26	4	5 * Make a deposit for 2/27-3/2	6
7		9	10 Make a deposit for 3/3-3/5 Employees report February tip income to employers if \$20 or more	11	12 * Make a deposit for 3/6-3/9	13
14	15 ** make a deposit for February if under the monthly deposit rule	16	17 * Make a deposit for 3/10-3/12	18	19 * Make a deposit for 3/13-3/16	20
21	22	23	24 * Make a deposit for 3/17-3/19	25	26 * Make a deposit for 3/20-3/23	27
28	29	30	31 * Make a deposit for 3/24-3/26 <i>File Form 730 for February</i>			

\* = Make a Payroll Deposit if you are under the semi-weekly deposit rule.    NOTE: Deposits made through EFTPS must be initiated at least one day prior to the due dates listed above in order to be timely.  
 \*\*= Make a Monthly Deposit if you qualify under that rule.

## Return Filing Dates

### February 1st

- > File Form 941 for the 4th quarter of 2009. If all deposits were paid on time and in full, file by February 10th.
- > If pre-qualified for simplified payroll filing, file Form 944. If all deposits are fully paid on time, file by February 10th.
- > File Form 940 for 2009 if liable for Federal Unemployment Tax (not participating or current with state unemployment tax). If all deposits are paid on time and in full, file by February 10th.
- > File Form 730 and pay the tax on applicable wages accepted during December 2009.
- > File Form 944 for 2009 if required in lieu of Form 941. If all deposits are paid on time and in full, file by February 10th.
- > File Form 945 for 2009. If all deposits are paid on time and in full, file by February 10th.
- > File Form 943 for 2009 (agricultural entities). If all deposits are paid on time and in full, file by February 10th.

### March 1st

- > File Form 730 and pay the tax on applicable wages accepted during January 2010.
- > File information returns for all payments reported to recipients on Forms 1099, 1098, 5498, and W-2G, using Form 1096 as a transmittal. If filing these forms electronically, file by March 31st.
- > File Form W-3, along with copy A of Forms W-2 you issued for 2009. File by March 31st if filing electronically.
- > File Form 8027 if you are a large food and beverage establishment. File by March 31st if filing electronically.

### March 31st

- > File Form 730 and pay the tax on applicable wages accepted during February 2010.



## **FIRE...Filing Information Returns Electronically**

If you file 250 or more Information Returns for any calendar year, the IRS requires that they be filed electronically. Even if you file fewer than 250 returns, you are encouraged to sign up and file electronically.

It is time to stop using the antiquated paper returns and start filing your Information Returns electronically now. Information Returns are filed electronically using software that can produce the file in the proper format as required by Publication 1220 via the FIRE (Filing Information Returns Electronically) system at <http://fire.irs.gov>. The FIRE System is conveniently available 24 hours a day, 7 days a week.

The following information returns can be filed electronically: Forms 1098, 1099, 5498, 8027, 1042-S, and W-2G.

Participants are required to request authorization to file Information Returns with the Internal Revenue Service (IRS)/Enterprise Computing Center (ECC) via the submission of Form 4419, Application for Filing Information Returns Electronically. Once approved, a five-character alpha/numeric Transmitter Control Code (TCC) will be assigned. New users should submit Form 4419 to IRS/ECC at least 30 days before the due date of the returns for current year processing. Fax your completed Form 4419 to (877-477-0572) or mail to:

Internal Revenue Service Enterprise Computing Center—  
MTB (ECC-MTB) Information Reporting Program  
230 Murall Drive  
Kearneysville, WV 25430

### **BENEFITS OF FILING ELECTRONICALLY**

- It's Paperless
- It's Secure...supports SSL-128 bit encryption
- It's Easy to Use ...there is better customer service due to online availability of transmitter files
- It's Efficient...email notification of file status within 1 to 2 business days on most forms
- It's Fast...compressed files with PKZIP or WINZIP reduce transmission time by up to 95%
- It's Flexible...due dates are extended for electronically filed forms 1098, 1099, 8027 and W-2G from February 28 to March 31 each year.

For more information about the FIRE system and how to use it, download Publication 3609, File Information Returns Electronically, from the IRS Website or call your Indian Tribal Government Specialist for a copy. Filers may also contact the IRS/ECC toll free at 1-866-455-7438 extension 3 for customer service questions.



**FREE Tax Preparation Available at Locations in Your Community  
- Including some Tribally\* Sponsored Sites.**

The IRS partners with various community organizations to provide free tax preparation for low-to-moderate income taxpayers (generally, \$49,000 and below) who don't feel comfortable preparing their own return and can't afford a tax preparer. The Volunteer Income Tax Assistance /Tax Counseling for the Elderly Programs (VITA/TCE) offer free tax preparation from February 1 through April 15. IRS VITA/TCE Certified Volunteers will prepare and e-file the returns, the most accurate and fastest way to file your taxes for FREE. You can get your refund back even faster by choosing Direct Deposit. By utilizing free tax preparation you can be assured that you get all the tax benefits, such as the Earned Income Tax Credit and Child Tax Credit, you deserve and also save the cost of going to a tax preparer. To locate a VITA/TCE site in your area you can:

- Call IRS at **(800) 829-1040** for locations of sites closest to you based on your zip code.
- Call **(888) 227-7669** or visit [www.aarp.org/taxaide/home.html](http://www.aarp.org/taxaide/home.html) for automated site locaters based on your zip code.
- Call **2-1-1**, resource and referral assistance, if that service is available in your geographic area.

\*Please note tribally sponsored sites are not specifically listed as "tribal" sites because we do not want to give the impression that tribal members should only go to tribally sponsored sites, or that tribally sponsored sites are only for tribal members.

**VITA /TCE Sites include: Contact the numbers above for the location, dates and hours of service.**

Idaho	Oregon	Washington
<b>Lapwai Indian Reservation</b>	<b>Warm Springs Reservation</b>	<b>Quinault Nation</b>
<b>Fort Hall Indian Reservation</b>		<b>Shoalwater Bay Tribal Center and Hoh Tribal Center</b>
<b>Coeur d'Alene Nez Perce Tribe</b>		<b>Port Gamble S'Klallam Tribe</b>
		<b>Squaxin Island Tribal</b>



## **Payroll Tax / Information Reporting Work Shop & Gaming Information Reporting Work Shop**

By now you should all have received a special email notification of a proposed offering of a Payroll Tax/ Information Reporting Workshop to be presented by ITG staff in either late March or late April. You may recall we offered similar training in the last year at the Suquamish Clearwater Casino, our Spokane IRS office and our Portland IRS office. While similar, this training will be enhanced from feedback we received from these prior sessions and will be tailored to include the specific needs you have identified. We are also offering a new work shop: Gaming Information Reporting, which includes preparation and filing of IRS forms W-2G, 1099-MISC, 1042, 1042-S, 945 and Tip Reporting Compliance for Casino and Gaming Commission employees. Please refer to the attached flier (same of previously provided) for specific details.

Now we just need to know where and when to hold the two-day Payroll Tax/Information Reporting work shop and the one-day Gaming Information Reporting work shop. That's where you come in. Please let us know generally the best area (Valley, Sound, Oregon, Washington, Idaho, Western, Eastern etc.) and the best week in late March/late April for your attendance. Also, if your Tribe could host the training at no charge for the meeting space, we would like to partner with you in offering this training through such a venue.

Please respond back to Jing Chin with your interest in attending / hosting the training. Jing can be reached at 503-326-3355 or via email at [Jing.Chin@irs.gov](mailto:Jing.Chin@irs.gov). As we would like to afford you the maximum planning time to arrange travel, we would like to finalize the date and location by February 19; so please respond with your interest as soon as possible.

Joe Kincaid  
ITG Group Manager  
Pacific Northwest & Alaska

### **Previous Editions of the ITG Newsletter Available**

That's right—you can access all previous editions of the Pacific Northwest Edition of the ITG Newsletter, as well as editions from around the country by going to [www.irs.gov/tribes](http://www.irs.gov/tribes). If you have an idea for a topic you'd like to see in the newsletter, or if you'd like to be added to our email newsletter mailing list, contact Connie Perkins by email at [connie.k.perkins@irs.gov](mailto:connie.k.perkins@irs.gov) or by phone at 503-587-3137.



## **PAYROLL TAX / INFORMATION REPORTING WORK SHOP & GAMING INFORMATION REPORTING WORK SHOP**

The Internal Revenue Service, Office of Indian Tribal Governments (ITG), is once again offering the "highly informative and error-proofing" Payroll Tax/Information Reporting Work shop for our Tribal Customers as well as a Gaming Information Reporting work shop in March or April 2010. The 2009 workshops in Spokane and Portland helped Tribal employees successfully navigate their Tribes through the following tax issues:

- Employees vs. Independent Contractors classification
- Computing the correct taxes for payroll
- Making federal tax deposits
- Completing the Form 941 Quarterly Employment Tax Return
- Reconciling Forms 941 and W-2 at year end
- Meeting rules for an accountable plan for per diem & travel reimbursements
- Form 945 and 1042 withholding requirements
- Avoiding penalties
- Information Returns - Completing forms W-2/W-3 and 1099/1096

The Payroll Tax/Information Reporting workshop is intended to cover the basic requirements for the above topics, and will last two (2) days. The Gaming Information Reporting work shop will cover preparation and filing of IRS forms W-2G, 1099-MISC, 1042-S, 945, 1042 and Tip Reporting Compliance and will last one (1) day. The Information Reporting work shop is intended for casino employees who prepare gaming forms and Gaming Commissions who audit them.

You may attend either the Payroll Tax/Information Reporting workshop or the Gaming Information Reporting work shop or both. The workshop/seminar is offered at no cost; however, meals, lodging and transportation will be at your own expense.

If you are interested in attending, please let us know via phone call to Jing Chin at 503-326-3355 or email to [Jing.Chin@irs.gov](mailto:Jing.Chin@irs.gov). Please notify us of your interest by February 19, 2010. Also, include in your notification the number of attendees, the best general location (Valley, Sound, Oregon, Washington, Idaho, East or West, etc.) and the best week between March 22 to April 2 and April 19 to April 30.

If you feel there are other individuals in your various tribal entities that would benefit from this training, please share this notification with them.

**IMPORTANT:** ITG would like to partner with the tribes and have these regional meetings hosted at a tribal setting. (Note: If any interested tribe has space they could make available at no cost to host this event, please contact us as soon as possible.)

The date, time, and location for the work shop(s) will be determined based on the interest received.

If you have any questions or additional topics you would like covered please contact us. We hope to see you there.



## ***EITC Awareness Day is January 29, 2010!***

The Earned Income Tax Credit (EITC) is a refundable federal income tax credit for low-income working individuals and families. When the credit exceeds the amount of taxes owed, it results in a tax refund to those who qualify for and claim the credit. EITC can bring money into communities.

The IRS Partner Toolkit at [www.eitc.irs.gov](http://www.eitc.irs.gov) provides EITC resources such as state-by-state statistics, ready-to-use presentations, fact sheets that can be used in outreach efforts, a sample "tweet", letter to the editor, newsletter article, web article, "widget" (coming soon) and an "on-hold" message.

Remember:

- *New EITC provisions mean more money for larger families.*
- *EITC can be a financial boost for working people hit by hard economic times.*
- *One in four eligible taxpayers could miss out because they don't check it out.*

The EITC program enjoys relatively high participation rates; between 75 and 80 percent of eligible taxpayers claim the credit. Nonetheless, the IRS works hard to identify and reach the remaining EITC eligible taxpayers. The IRS is committed to maximizing participation while minimizing error. This year we are emphasizing efforts for the following hard-to-reach audiences:

- Rural
- Self-employed
- People with disabilities
- Senior citizens (grandparents)
- Limited English Proficiency
- Non-filers
- Those who may have recently become eligible due to a change in income or marital status such as divorce, unemployment, etc.

The EITC Assistant (available late January) can help people determine if they qualify. Access it on the internet at [www.irs.gov/individuals/article/0,,id=130102,00.html](http://www.irs.gov/individuals/article/0,,id=130102,00.html).



## **Tax Return Preparer Fraud**

Return preparer fraud generally involves the preparation and filing of false income tax returns by preparers who claim inflated personal or business expenses, false deductions, unallowable credits or excessive exemptions on returns prepared for their clients. This includes inflated requests for the special one-time refund of the long-distance telephone tax. Preparers may also manipulate income figures to obtain tax credits, such as the Earned Income Tax Credit, fraudulently.

In some situations, the client (taxpayer) may not have knowledge of the false expenses, deductions, exemptions and/or credits shown on their tax returns. However, when the IRS detects the false return, the taxpayer — not the return preparer — must pay the additional taxes and interest and may be subject to penalties.

The IRS Return Preparer Program focuses on enhancing compliance in the return-preparer community by investigating and referring criminal activity by return preparers to the Department of Justice for prosecution and/or asserting appropriate civil penalties against unscrupulous return preparers.

While most preparers provide excellent service to their clients, the IRS urges taxpayers to be very careful when choosing a tax preparer. Taxpayers should be as careful as they would be in choosing a doctor or a lawyer. It is important to know that even if someone else prepares a tax return, the taxpayer is ultimately responsible for all the information on the tax return.

### **Helpful Hints When Choosing a Return Preparer**

- Be careful with tax preparers who claim they can obtain larger refunds than other preparers.
- Avoid preparers who base their fee on a percentage of the amount of the refund.
- Stay away from preparers who claim that many, if not most, phone customers can get hundreds of dollars or more back under the telephone tax refund program.
- Use a reputable tax professional who signs your tax return and provides you with a copy for your records.
- Consider whether the individual or firm will be around to answer questions about the preparation of your tax return months, or even years, after the return has been filed.
- Review your return before you sign it and ask questions on entries you don't understand.
- No matter who prepares your tax return, you (the taxpayer) are ultimately responsible for all of the information on your tax return. Therefore, never sign a blank tax form.
- Find out the person's credentials. Only attorneys, CPAs and enrolled agents can represent taxpayers before the IRS in all matters including audits, collection and appeals.
- Other return preparers may only represent taxpayers for audits of returns they actually prepared.
- Find out if the preparer is affiliated with a professional organization that provides its members with continuing education and resources and holds them to a code of ethics.
- Ask questions. Do you know anyone who has used the tax professional? Were they satisfied with the service they received?



## Buy US Savings Bonds With Your Tax Refund

### **Buy US Savings Bonds with your Tax Refund**

Starting in January 2010, you will have a unique opportunity to increase your savings by purchasing United States Series I Savings Bonds with your tax refunds. Buying Savings Bonds is a great way to start or increase overall savings. In addition, it is easy when you use IRS Form 8888 – just ask your tax preparer!

### **What are U.S. Savings Bonds?**

U.S. Savings Bonds are savings instruments for individual savers issued by the U. S. Department of the Treasury.

For purposes of this program, only Series I US Savings Bonds are being offered on tax returns. Series I Bonds are sold at face value (a \$50 bond costs \$50), and grow in value for up to 30 years. You must purchase bonds *with your tax refund* in increments of \$50. In any single calendar year you can purchase up to \$5,000 of Series I Savings Bonds under this program.

You may redeem Savings Bonds for principal and accrued earnings anytime after the first 12 months after you purchased it (or earlier if you live in an area affected by a natural disaster). If you redeem a Savings Bond within the first five years you hold it, the three most recent months' interest will be forfeited. After five years, no penalty will apply when bonds are redeemed.

Series I Bonds pay interest based on a combination of a fixed rate (which remains the same throughout the life of the Savings Bond) and a semiannual inflation rate, which is updated each May and November. Savings Bonds accrue interest until you redeem them or until they reach their final maturity in 30 years.

The current interest rate for Series I Savings Bonds that will be in place during the 2010 Filing Season is 3.36%. The 3.36% includes a fixed rate of .30% (which will be applicable for the entire life of the I Bond purchased) and a 3.06% annualized rate of inflation. The 3.06% interest rate will apply from the time of purchase through April 30, 2010 when a new semi-annual rate of interest will be announced.

The interest earned by purchasing and holding Savings Bonds is subject to federal tax at the time you redeem the bonds. However, interest earned on Savings Bonds is not taxable at the state or local level.

### **How can you buy Savings Bonds at a VITA or TCE Site?**

For the 2010 Filing Season, you can choose to save all or part of your refund by requesting Savings

*(Continued on page 8)*



(Continued from page 7)

Bonds on an IRS Form 8888, *Direct Deposit of Refund to More Than One Account*. The use of Form 8888 to purchase Savings Bonds will generally require that you have another account in which to deposit the remaining amount of your refund after the purchase of Savings Bonds.

During the 2010 Filing Season, you will be able to purchase Savings Bonds with your tax refunds in multiples of \$50, up to the yearly maximum of \$5,000. Purchasing Savings Bonds in multiples other than \$50 will instead trigger the issuance of paper refund check to the taxpayer for the entire amount of their refund.

Just tell your tax preparer you want to buy Savings Bonds with part of your refund!

## Receipt of Series I Savings Bonds

Taxpayers who purchase US Savings Bonds with their tax refunds will receive their paper bonds in the mail at the address used on their tax return. The issuance of the Savings Bonds could take up to three weeks. You will generally receive the paper bonds after you have received the remainder of your tax refund from the IRS.

For bond purchases in amounts of \$250 or less made with a tax refund, you will receive Series I bonds in \$50 denominations. For bond purchases in excess of \$250, the first \$250 will be fulfilled with \$50 bonds, then the remainder will be fulfilled with the fewest possible additional bonds.

Errors on the return that change the refund amount will result in a failed bond purchase. If you have a prior tax or other obligation (child support, loan payment), IRS will not fulfill the bond request, and will mail the entire refund amount to you using a paper check.

To check the status of a bond purchase, you may go to [Where's My Refund](#) on IRS.gov or call 1-800-829-1954. If the IRS has processed the refund and placed the request for the bond, then please contact the Treasury Retail Securities Site at 1-800-245-2804.

## Mandatory Electronic Filing

Filing season is upon us once again. If you are required to file 250 or more Forms W-2G or 250 or more Forms 1099-MISC during a calendar year, you must file them electronically unless the IRS grants you a waiver. You may request a waiver on Form 8508, *Request for Waiver From Filing Information Returns Electronically/Magnetically*. Submit Form 8508 to the IRS at least 45 days before you file Forms W-2G or 1099-MISC. You may be charged a penalty if you fail to file electronically when required.



## IRS Announces 2010 Standard Mileage Rates

The Internal Revenue Service issued the 2010 optional standard mileage rates used to calculate the deductible costs of operating an automobile for business, charitable, medical or moving purposes.

Beginning on Jan. 1, 2010, the standard mileage rates for the use of a car (also vans, pickups or panel trucks) will be:

- 50 cents per mile for business miles driven
- 16.5 cents per mile driven for medical or moving purposes
- 14 cents per mile driven in service of charitable organizations

The new rates for business, medical and moving purposes are slightly lower than last year's. The mileage rates for 2010 reflect generally lower transportation costs compared to a year ago.

The standard mileage rate for business is based on an annual study of the fixed and variable costs of operating an automobile. The rate for medical and moving purposes is based on the variable costs as determined by the same study. Runzheimer International, an Independent contractor, conducted the study.

A taxpayer may not use the business standard mileage rate for a vehicle after using any depreciation method under the Modified Accelerated Cost Recovery System (MACRS) or after claiming a Section 179 deduction for that vehicle. In addition, the business standard mileage rate cannot be used for any vehicle used for hire or for more than four vehicles used simultaneously.

Taxpayers always have the option of calculating the actual costs of using their vehicle rather than using the standard mileage rates.

Revenue Procedure 2009-54 contains additional details regarding the standard mileage rates. For more information, visit the IRS web site at [www.irs.gov](http://www.irs.gov).

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



# Tax News For You!

## Individual Tribal Member Information

### **Planning on Buying your First Home or Replacing your Current Home? Check out the New Extended and Expanded Tax Credits.**

A new law that went into effect November 6 extends the first-time homebuyer credit five months and expands the eligibility requirements for purchasers.

The Worker, Homeownership, and Business Assistance Act of 2009 extends the deadline for qualifying home purchases from November 30, 2009, to April 30, 2010. Additionally, if a buyer enters into a binding contract by April 30, 2010, the buyer has until June 30, 2010, to settle on the purchase.

The maximum credit amount remains at **\$8,000** for a first-time homebuyer — that is, a buyer who has not owned a primary residence during the three years up to the date of purchase.

But the new law also provides a “long-time resident” credit of up to **\$6,500** to others who do not qualify as “first-time homebuyers.” To qualify this way, a buyer must have owned and used the same home as a principal or primary residence for at least five consecutive years of the eight-year period ending on the date of purchase of a new home as a primary residence. This is effective for purchases after November 6.

**When and How to Claim the Homebuyer Tax Credits** For all qualifying purchases in 2010, taxpayers have the option of claiming the credit on either their 2009 or 2010 tax returns using Form 5405, *First-Time Homebuyer Credit*. A new version of Form 5405, *First-Time Homebuyer Credit*, will be available in the next few weeks. A taxpayer who purchases a home after November 6 must use this new version of the form to claim the credit.

### **Homeowners Go Green and Save Energy by Winterizing Your Home and Lower Your 2010 Taxes as Well.**

Homeowners who make energy efficient improvements to their existing homes can get a 30 percent **Nonbusiness Energy Property Tax Credit** of the cost of all qualifying improvements up to a maximum of \$1,500 for the combined 2009 and 2010 tax years. The credit applies to improvements such as adding insulation, energy efficient exterior windows and energy-efficient heating and air conditioning systems.

Homeowners going green should also check out a second tax credit designed to spur investment in alternative energy equipment, the **Residential Energy Efficient Property Tax Credit**. This nonrefundable energy tax credit will help you pay for qualified residential alternative energy equipment, such as solar hot water heaters, geothermal heat pumps and wind turbines. The credit is 30 percent of the cost of the qualified property with no maximum amount.

Not all energy-efficient improvements qualify for these tax credits. For that reason, homeowners should check the manufacturer’s tax credit certification statement before purchasing or installing any of these improvements. The certification statement can usually be found on the manufacturer’s website or with the product packaging. Normally, a homeowner can rely on this certification. The IRS cautions that the manufacturer’s certification is different from the Department of Energy’s Energy Star label, and not all Energy Star labeled products qualify for the tax credits.

Use Form 5695, *Residential Energy Credits*, to figure and claim these credits.

*(Continued on page 15)*



(Continued from page 14)

### Free File for 2009 tax returns

Free File is a partnership between IRS and tax software companies who make their software products available for free to eligible taxpayers to prepare and e-file their federal tax returns. You may qualify if your adjusted gross income is \$57,000 or less. Free File supports preparation of federal tax returns. Many companies also offer state tax preparation though fees may apply. Each participating software company sets its own eligibility requirements. Make sure you read each offer thoroughly so you choose the right one for you.

### Free **How to Get Information, Help, Tax Forms and Publications**

For additional information on all the subjects included in this version of Tax News for You!, please visit [www.irs.gov](http://www.irs.gov) and enter the subject in the search box in the upper right hand corner or the IRS website.

You can call (800) 829-1040 to ask questions to help you prepare your tax return, or ask about a notice you have received.

In certain areas, IRS also has local offices you may visit to receive assistance. Check your telephone directory or visit [www.irs.gov](http://www.irs.gov) for the locations of those offices.

To get IRS forms and publications you can visit [www.irs.gov](http://www.irs.gov) to print, view, download or order forms and publications or call (800) 829-3676 to have them mailed to you.

File will be available beginning January 16, 2010. Look for **FREE FILE** on the IRS website at [www.irs.gov](http://www.irs.gov).

### Steps for Employers to Avoid Penalties and IRS Problems

- A. Determine your deposit schedule: Are you a monthly or semiweekly depositor? \*
  - B. Each payday, determine your employment tax liability by adding the following 5 parts:
    - 1. Employees' Federal income tax withheld
    - 2. Employees' Social Security tax withheld
    - 3. Employees' Medicare tax withheld
    - 4. Employer's matching of Social Security tax
    - 5. Employer's matching of Medicare tax
  - C. **By the due date, deposit the above liability (see B).**
  - D. At the end of each quarter, file Form 941 Employer's Quarterly Federal Tax Return.
  - E. At year end, make sure your Forms 941 (all 4 quarters) match your W-2s (all employees).
  - F. At year end, file Forms W-3/W-2 and 1096/1099.
- \* See Publication 15 for further information on deposit schedules, liabilities, and due dates.



# ITG Area Contacts

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**CUSTOMER SERVICE & WEBSITE**

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- **ITG Specialist Hotline 202-283-9800**
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