

ITG News



Keeping First Nations Informed

October 2009

Publication 4267E

Catalog Number 37832Y

Pacific Northwest Edition

New Compliance Unit to Debut

Fiscal Year 2009 has closed with a number of significant changes in ITG operations. As many may be aware, the federal budget provided for increased staffing for the IRS as a whole, and ITG was pleased to be able to hire 17 new employees over the past four months. This staffing not only allowed us to replace many employees who had retired or otherwise departed, but actually allowed us to increase our resources in some geographic areas where we had need.

The budget also permitted us to create the "Government Entities Compliance Unit" (GECU), a new function that will be based at our Ogden campus. This unit has already begun work to address compliance issues involving tax exempt bonds, but in the near future they will be undertaking some initiatives directly involving tribal governments. An experienced ITG Specialist is serving as a coordinator for these efforts, and will be assisting with staff training. The ITG Director will also be closely involved.

At present, the GECU is studying a number of initiatives, including following up with tribes where tax deposits have been made but no return has been filed, working with tribes to complete and submit delinquent returns, and conducting assessments of potential areas for outreach and education.

The new unit will not affect the ability of tribes to work directly with their assigned ITG Specialist. That designee will remain the principal point of contact for tribes on any federal tax administration matter, and can also be consulted on any inquiry received from the GECU.

Consultation Listening Meetings

Our appreciation to everyone who attended the FY 2009 meetings held in Anchorage, Washington D.C., Tulsa, and Albuquerque. Your input is a valuable part of our planning and operations. Our tentative meetings for FY 2010 are listed below. Watch the ITG web site and future editions of ITG News for the specific dates and locations.

Tentative Consultation Listening Meetings for FY 2010

California

Minnesota

Nevada

Western Oklahoma



...the GECU will help address compliance issues, but will not affect the ability of tribes to work with the assigned ITG Specialist...

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Federal Tax Calendar for Fourth Quarter 2009

October 2009

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

November 2009

Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2 <i>File Form 730 for wagers received during September</i>	3	4 * Make a deposit for 10/28-10/30	5	6 * Make a deposit for 10/31-11/3	7
8		10 Employees report October tip income to employers if \$20 or more	11	12 * Make a deposit for 11/4-11/6	13	14
15	16 * Make a deposit for 11/7-11/10 ** make a deposit for October if under the monthly deposit rule	17	18 * Make a deposit for 11/11-11/13	19	20 * Make a deposit for 11/14-11/17	21
22	23	24	25 * Make a deposit for 11/18-11/20	26	27	28
29	30 * Make a deposit for 11/21-11/24					

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

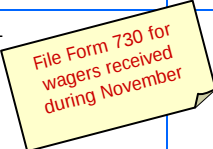
**= Make a Monthly Deposit if you qualify under that rule.

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



December 2009

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

Return Filing Dates

November 2nd

- > File Form 941 for the 3rd quarter of 2009. If all deposits were paid on time and in full, file by November 10th.
- > File Form 730 and pay the tax on applicable wagers accepted during September.

November 30th

- > File Form 730 and pay the tax on applicable wagers accepted during October.

December 31st

- > File Form 730 and pay the tax on applicable wagers accepted during November.



Update on Customer Satisfaction Survey

We recently began tabulating the results from the FY 2009 Customer Satisfaction Survey. We received 211 responses, a record number. We appreciate everyone's time taken to complete and return the survey form.

As in past years, we will publish a report on the findings from the survey, and will post it to the ITG landing page at www.irs.gov/tribes. We will also convene a team to review the results and determine any actions that ITG can undertake to address concerns raised, or to strengthen the areas that tribes value. Past actions have included increased outreach, web site enhancements, improved communication processes, and assistance in mitigating penalties.

The eventual actions to be undertaken during FY 2010 will be highlighted in future editions of ITG News.

Top Five Bank Secrecy Act Casino Issues

Many tribes have entities subject to the Bank Secrecy Act (BSA), in particular those who operate gaming establishments. ITG provides limited outreach and education on BSA issues, and the Small Business/Self-Employed Division conducts examinations on this area.

The following list reflects common audit issues identified on current BSA casino examinations. It should be noted that this is universal to all gaming operations, not just those that are operated by tribes:

- Failure to create due diligent procedures for mismatched SSNs as identified by the Enterprise Computing Center—Detroit on filed currency transaction reports.
- Failure to create due diligent procedures when presented with post office box numbers as permanent addresses for BSA required records or reports.
- Failure to adequately use all available information when required for BSA compliance.
- Failure to adequately use automated data processing to aid in assuring BSA compliance.
- Inaccurate and incomplete currency transaction reports and suspicious activity reports.

Your assigned ITG Specialist is available to assist with these areas if you have any questions, or believe you need further training. ITG can also conduct a BSA Compliance Check to assist a tribe in identifying specific program weaknesses that may exist.



Identity Theft Attempts Continue

Tribes and tribal members continue to receive e-mails regarding alleged refunds that are due, or that tribes and tribal members are exempt from federal income tax. The messages often purport to come from the Internal Revenue Service. These e-mail messages are not only false, but most importantly represent attempts at identity theft. They are commonly known as “phishing.”

There are several ways you can determine these messages are false:

- The IRS does not send any confidential tax information by e-mail on the Internet. Since it is not a secure communication system, we simply cannot use it to transmit personal information. Thus these messages would never originate from the IRS, even if the sender uses the IRS name or an “irs.gov” e-mail extension.
- The messages often contain serious spelling errors, including one that recently misspelled the word “Service” in our agency name.
- The recipient is asked to complete a form that has a legitimate IRS form name, but is not that form. Recipients can always access IRS forms through the www.irs.gov web site, and then can compare the actual form to the version provided in the e-mail. You will readily see the difference, or may even discover that there is no actual IRS form number that matches the one you have been provided.
- The recipient is asked to provide personal information that the IRS would never seek. This often includes bank account numbers and PINs, ostensibly so the sender can deposit money owed to the recipient of the e-mail. A PIN not required for making a deposit to a bank account, and the IRS would never ask for that information since only the bank routing and account number are required for a direct deposit.
- Many of these attempts at identity theft ask the recipient to fax a completed form to a long distance telephone number. These are generally fax forwarding services, where your faxed information is immediately relayed elsewhere, often offshore beyond the reach of regulators and law enforcement.

Do not respond to these solicitations. Instead, please report them to your assigned ITG Specialist who in turn will report it to the IRS office that investigates “phishing.” We will also ensure that other tribes that might be subject to these efforts are aware of the latest versions of identity theft.

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 tege.itg.schemes@irs.gov



Update on Tribal Economic Development Bonds

The Internal Revenue Service has allocated authority to issue Tribal Economic Development Bonds under the American Recovery and Reinvestment Act of 2009.

In [Notice 2009-51](#), the IRS solicited applications for the allocation of \$2 billion of national bond volume limitation authority (volume cap) to issue Tribal Economic Development Bonds under section 7871(f) of the Internal Revenue Code. Section seven of the notice provides that the volume cap is to be allocated in at least two tranches, the first of which would not exceed \$1 billion in total with a \$30 million limitation per Indian tribal government.

The IRS received 58 applications requesting a total of \$1,329,487,364.88 in volume cap available under the first tranche. Pursuant to the notice, the IRS allocated pro rata amounts of volume cap to the projects described in the applications such that the total amount allocated under the first tranche did not exceed \$1 billion.

For those applicants who elected to consent to public disclosure, the IRS released an [allocation schedule](#) showing the names of the Indian tribal governments, the types and locations of the projects described in the applications and the amounts of the awarded allocations.

The Second Allocation will address the remaining \$1 billion for qualified projects for which applications meeting the requirements have been filed with the IRS on or before January 1, 2010. If the total amount of volume cap requested in all applications received on or before that date does not exceed the \$1 billion, then each applicant will be allocated the amount of volume cap requested and any volume cap remaining may be available for allocation by the IRS as part of an allocation process to be announced by the IRS at some future date. If the total amount of volume cap requested in all applications received on or before January 1, 2010 exceeds \$1 billion, then each applicant will be allocated the amount of volume cap requested reduced pro rata such that the total amount allocated does not exceed the \$1 billion.

Applicants must include a description of the project, or any related project, for which a prior allocation was made, as well as the name of the applicant that received the allocation. For this purpose, related projects include facilities that are owned by the same Indian tribal government, a political subdivision of the Indian tribal government, or an entity controlled by the Indian tribal government, which are (i) located at or near the same site, and (ii) are integrated, interconnected, or directly or indirectly dependent on each other based on all the facts and circumstances.

Employee Tip Income Program Questions

ITG has a full-time Tip Coordinator to assist you with any questions about tip reporting agreements. If you are interested in securing a Tip Agreement, have questions concerning your existing agreement, or have received a notice about tip reporting responsibilities that is unclear, please contact Suzanne Perry at (602)-636-9181.



Message from the Director

As the federal government embarks on FY 2010, the office of Indian Tribal Governments enters its second decade of existence. Many people questioned the commitment of the IRS to retain this office when it was initially established, but we have successfully maintained the staffing and support necessary to address the unique federal tax administration issues for our First Nations, along with the expertise needed to meet their unique legal and cultural issues.

It has been a fast-paced decade. Not only has the world and our country changed dramatically; ITG has changed greatly as well. While we have maintained a fairly stable workforce, we have experienced significant turnover. Yes, tribes are not the only governments that see employees come and go.

Our current workforce is 74, but only 18 of our current staff have been with us since 2000. While the changes have been gradual, retirements and other job opportunities have led to major staffing changes over time.

Hopefully many of these changes have been transparent to you. Successful organizations are based on processes, not people. I believe we have created work processes that have allowed us to continue seamless operations despite the changes in personnel. Hopefully tribes agree with that, and have not experienced any problems when assigned ITG Specialists have departed.

We begin FY 2010 with 17 new employees, the largest number of new hires in ITG since 2001. They bring new energy and new ideas, which I plan to embrace. This means that many tribes will be meeting new ITG Specialists, and if your tribe has a newly assigned ITG Specialist, you should have received a letter of introduction. However, I also encourage you to visit the listing of ITG Specialists which can be located under the "Contacting ITG" link in the left border of our landing page at www.irs.gov/tribes.

Of course, I am always available to listen to any ideas, suggestions, and concerns, at christie.jacobs@irs.gov, or at (202) 283-9800.

Christie Jacobs



Form 1042-S and 30% Withholding on “Per-Capita” Payments

As indicated in the cover story of the April 2009 edition of ITG News, the Office of Indian Tribal Governments has begun a Form 1042 Initiative. One of the areas covered under this initiative is filing and furnishing Forms 1042-S, and mandatory 30% withholding, for distributions of gaming revenue (“per-capita payments”) to non-resident alien tribal members (members who are not U.S. citizens or resident aliens).

As a Tribal official, your first thought may be that you are already covered via your IRC Section 3402(r) withholding (using the tables in Pub. 15-A). The withholding requirements under IRC 3402(r) do not apply to mandatory withholding under IRC Section 1441, which applies to payments made to nonresident aliens and is separate and distinct from IRC 3402(r) withholding. Whereas 3402(r) allows for withholding tables (see Pub 15-A) that are generally at the single-one rate and have a threshold built in, the 30% withholding for non-resident alien payments (that are not wages) applies to the full amount of the payment.

Form 1042 deposit and filing requirements differ from the Form 945 “Annual Return of Withheld Federal Income Tax” for non-wage withholding. The deposit requirements for the 1042 have a much lower threshold (i.e., \$200 and \$2,000 rules). It is the responsibility of the Tribe to familiarize itself with these withholding, deposit, and filing requirements to avoid liabilities (see Form 1042 instructions). If you would like to clarify how these Form 1042 provisions impact the payments made to tribal members from your Tribe, we encourage you to contact your ITG Specialist.

Past Issues of ITG Newsletter Available

Remember that past issues of the ITG Newsletter can be found by going to www.irs.gov/tribes and clicking on the “Newsletters” link. Ours is the Pacific Northwest Edition.

Change to the Pacific Northwest ITG Personnel

Our ITG Specialist, John Mandeville has become part of our Review staff. Melodie Gren, Indian Tribal Governments (ITG) Specialist and Newsletter Editor, is currently on a temporary IRS assignment. Connie Perkins will be taking over Melodie’s duties as the editor of this newsletter. If your ITG contact has been Melodie or John, you will soon receive a letter introducing your new ITG contact. In the meantime, please contact our ITG Manager, Joe Kincaid. Please see page 12 for contact information.



FinCEN has Implemented SAR Acknowledgements and Validations for BSA E-Filing Submissions

On September 12, 2009, the Financial Crimes Enforcement Network (FinCEN) implemented Suspicious Activity Report (SAR) Acknowledgements for Bank Secrecy Act Electronic Filing (BSA E-Filing) submissions. This functionality will give BSA E-Filers a Document Control Number (DCN) as an acknowledgement of receipt for a submitted SAR. Acknowledgements will be available for all SAR form types: Suspicious Activity Report by Depository Institutions (SAR-DI), Suspicious Activity Report by the Securities and Futures Industries (SAR-SF), Suspicious Activity Report by Casinos and Card Clubs (SAR-C), and Suspicious Activity Report by Money Services Businesses (SAR-MSB).

The BSA E-Filing system will offer filers a self-enrollment feature to allow them to register to receive SAR Acknowledgement files when they are ready to begin processing. There is no enrollment deadline at this time; however, FinCEN strongly encourages filers to enroll to receive this critical feedback.

FinCEN has developed a [SAR Acknowledgements and Validations Questions and Answers Guide](#) document, which provides filers with the information needed to make required changes for SAR Acknowledgement file processing. It is available on the BSA E-Filing Web site. FinCEN has also revised the [BSA E-Filing Electronic Filing Requirements](#), which include new SAR Acknowledgement file record formats and SAR Validation error codes and descriptions.

Please note, the SAR Acknowledgement functionality is only available for SAR filings submitted electronically via the BSA E-Filing system. SAR filings submitted via paper are not acknowledged.

In December 2009, FinCEN will implement SAR Validations, which will allow the BSA E-Filing system to validate SAR documents and provide filers with feedback on the quality of their submissions.

Please direct questions about the SAR Acknowledgements functionality to the BSA E-Filing System Help Desk at 1-888-827-2778 (option 6) or via email at BSAEFilingHelp@notes.tcs.treas.gov. The Help Desk is available Monday through Friday 8 a.m. - 6 p.m. ET. The BSA E-Filing homepage is located at <http://bsaefiling.fincen.treas.gov/>.

Tips for Proper Employment Tax Treatment of Part-Time or Seasonal Workers

Many businesses use part time or seasonal workers in their work force. Employers must ensure they are treating these workers properly for employment tax purposes.

Generally, workers are either employees or independent contractors, based upon the facts and circumstances of the relationship between the business and the worker.

For federal income tax withholding, Social Security, and Medicare, neither the number of hours worked nor amount earned alone determines the status of an individual as independent contractor or employee. For example, an individual can be an employee even though the individual works one hour a week or one day a year.

Furthermore, businesses must remember that part-time or seasonal workers who are employees are subject to the same tax withholding rules that apply to other employees.

More information and links to other resources about treating seasonal/part-time workers is on the Part Time or Seasonal Help Web page on IRS.gov.



Tax News For You!

Individual Tribal Member Information

American Recovery and Reinvestment Act 2009 (ARRA)

The following is an overview of some of the key ARRA provisions affecting individual taxpayers. Publication 553, Highlights of Tax Changes is available at www.irs.gov and has additional information.

American Opportunity Tax Credit For tax years 2009 and 2010, the American Opportunity Tax Credit makes temporary changes to the education credit known as the Hope Credit. It adds required course materials to the list of qualifying expenses and allows the credit to be claimed for four years of post-secondary education instead of two. In addition, a portion of the credit may be refundable.

- Taxpayers may receive a credit based on 100 percent of the first \$2,000 of tuition and related expenses (including books) paid during the taxable year and 25 percent of the next \$2,000 of tuition and related expenses paid during the taxable year.
- However, the credit phases out ratably for taxpayers with modified adjusted gross income between \$80,000 and \$90,000 (\$160,000 and \$180,000 for joint filers).
- The law also increases the credit to be claimed to four post-secondary education years instead of two.
- Forty percent of the credit will be refundable for most taxpayers.

Qualified Higher Education Expense

For tax years 2009 and 2010, the definition of qualified higher education expenses for tax-free distributions from a qualified tuition program is expanded to include the purchase of computer technology, equipment, or Internet access and related services.

Refundable Child Tax Credit Increase For 2009 and 2010, the refundable child tax credit is calculated to apply to 15 percent of the taxpayer's earned income in excess of \$3,000. Currently, for 2008, the child tax credit is calculated to apply to 15 percent of the taxpayer's earned income in excess of \$8,500.

Temporary Increase in Earned Income Tax Credit For tax years 2009 and 2010, ARRA temporarily increases the income limits and earned income tax credit percentage allowed for working families with three or more qualifying children.

Introducing the New IRS YouTube and iTunes Sites **Featuring American Recovery and Reinvestment Act Information.**

IRS launched the "YouTube" video site and an "iTunes" podcast site to better serve taxpayers. "YouTube" current focus is on the provisions of the ARRA. Videos will highlight the \$8,000 first-time homebuyer's credit for those who purchase a house this year, the sales or excise tax deduction on new car purchases and the expanded credits for education and energy conservation. This site is easy to navigate and the tax changes are located on the opening page. Eight separate tax changes and five tax tips are available. These videos will be in English, Spanish, American Sign Language and other languages.

The IRS "YouTube" channel will also include a video on using the IRS Withholding Calculator. Many workers received the Making Work Pay tax credit in April through their tax withholding at work. However, people who have more than one job or working spouses should check their withholding to ensure neither too much nor too little is being withheld. People can use the calculator to help determine if they should make adjustments.

People can visit the audio site at [iTunes](http://www.itunes.com) to listen to IRS podcasts about ARRA tax credits. People without an [iTunes](http://www.itunes.com) account can hear those same podcasts, in English and Spanish. Additional information can be located at www.irs.gov and use key words "YouTube" or "iTunes" <http://www.youtube.com/irsvideos>

Planning Ahead to File Your 2009 Tax Return:

Puzzled by the tax law or which credits and deductions to take? Need assistance with your tax return? You may want to plan a visit to your local volunteer site in 2010. The IRS Volunteer Income Tax Assistance Program (which includes several Tribal sites located in Washington and Idaho) or the Tax Counseling for the Elderly Program offer free tax help if you qualify.

Trained community volunteers can help you with special credits, such as Earned Income Tax Credit, Child Tax Credit, and Credit for the Elderly for which you may qualify. 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 will receive their refunds in half the time compared to returns filed on paper; even faster if you have your refund deposited directly into your bank account. To file taxes electronically on a married filing joint tax return, both spouses must be present to sign the required forms.

For a location near you call IRS at 1-800-829-1040, AARP Tax-Aide at 1-888-227-7669 or go online to www.irs.gov and enter key words "Volunteer Income Tax Assistance."

Items taxpayers need to bring to the VITA/TCE Sites to have their tax returns prepared:

- Proof of identification
- Social Security Cards for you, your spouse and dependents and/or a Social Security Number verification letter issued by the Social Security Administration
- Birth dates for you, your spouse and dependents on the tax return
- Current year's tax package if you received one
- Wage and earning statement(s) Form W-2, W-2G, 1099-R, from all employers
- Interest and dividend statements from banks (Forms 1099)
- A copy of last year's federal and state returns if available
- Bank routing numbers and account numbers for Direct Deposit (found at the bottom of your check)
- Total paid for daycare provider and the daycare provider's tax identifying number (the provider's Social Security Number or the provider's business Employer Identification Number)

Long Term Tax Planning Options:

October is upon us and taxes are probably the furthest thing from your mind. But now, months before the end of the year and the start of tax season, is a good time to take steps to lower your tax bill for 2009.

Take the "Saver's Credit" for example:

One way for low and moderate income Americans to save on taxes is by saving for retirement. If you make voluntary contributions to an employer-sponsored retirement plan or to an individual retirement arrangement, you may be able to take a tax credit. To be eligible for the credit you must be at least age 18, not be a full-time student, and cannot be claimed as a dependent on another person's return. You may be able to take a credit if you make eligible contributions to a qualified IRA, 401(k) and certain other retirement plans.

For more information, review IRS Publication 590, Individual Retirement Arrangements and Form 8880, Credit for Qualified Retirement Savings Contributions which include the instructions. The publication and form can be downloaded at IRS.gov or ordered by calling 800-TAX-FORM (800-829-3676).

Volunteering in Your Community:

You can make a difference in your community by partnering with IRS and thousands of nationwide organizations to meet individual taxpayers' needs for tax education and assistance. In these tough economic times, tax benefits can offer stronger financial stability for people and the communities in which they live. They can also serve as the starting point in realizing dreams. For information about volunteering go to www.irs.gov and use key word "volunteer."

If any tribes would like information about participating in this program and opening a VITA site for next year, please contact IRS at 1-800-829-1040, AARP Tax-Aide at 1-888-227-7669 or Territory Manager Barbara Sowder 1-503-326-2084.



ITG Area Contacts

PACIFIC NORTHWEST

Alaska, Idaho, Oregon, Washington

SPECIALISTS

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CUSTOMER SERVICE & WEBSITE

- **Call: Customer Account Services toll free 1-877-829-5500**
- **ITG Specialist Hotline 202-283-9800**
- **Visit: Indian Tribal Governments Web site at www.irs.gov/tribes**