



Message from the Director

The IRS office of Indian Tribal Governments (ITG) recently entered its 8th year of existence. When it was first created many tribes questioned the commitment of the IRS to maintain a distinct component that would interact with tribal governments, and dedicate the resources required to continually train new staff to understand tribal protocols and the unique nuances of tribal/federal relations.

We have experienced significant turnover in these eight years, having lost 24 members of our initial staff of 68. Thirteen of them left for promotional opportunities within the IRS, while an additional nine retired from government service.

I am pleased that we have been able to not only fill the resultant vacancies created by these departures, but have been able to continue to identify candidates who have a genuine interest in working with tribal governments to ensure federal tax compliance and protect tribal assets for the benefit of tribal members. As we enter our eighth year, ITG has 71 total staff and is in the process of hiring 3 new employees.

We recognize that we will continue to have turnover, as we are no different from tribal governments who have the same personnel experiences. In fact, we have twelve current employees who are eligible for retirement at this time, with several more becoming eligible over the next year. Change is inevitable, but our commitment to recruit and maintain staffing that will ensure the IRS will continue to have a component that is dedicated solely to tribal issues is unwavering.

As these changes occur, we will advise tribes of staffing and contact changes. Our web site listing of ITG contact points for every tribe and Navajo Chapter will be continuously refreshed. Our Consultation Listening meetings, quarterly newsletters, outreach events, and self-service sections of our web site will continue, even though the ITG staff doing the work may change.

Christie Jacobs



...we are committed to recruiting and maintaining dedicated staff...

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Accuracy in the Electronic Filing of BSA Forms

Many tribal casinos have taken advantage of the opportunity to remit their Bank Secrecy Act filing electronically. Although e-filing of these forms can save substantial time and improve accuracy, it is important to follow all of the required formatting.

When the filing data is received at our Detroit Computing Center, the import program is designed to recognize certain characteristics as the point of separation between fields. For example, the "Name" field requires a slash bar to separate the last name/first name/middle initial. The proper format would be "DOE/JOHN/J".

We recently discovered that one casino has filed 12,394 CTR-C forms using a space to separate the name fields, in lieu of the required slash bar. This caused the import program to treat all of the name elements as a last name, and rendered the information unusable to law enforcement personnel who routinely utilize BSA report filings to develop and sustain cases against individuals who have committed crimes.

This type of error requires correction, and can be costly to a casino if the forms must be re-done and re-transmitted. Furthermore, during the period of time that corrective action is underway, the data in the BSA filing is not in the database and is therefore not available to law enforcement personnel. This type of delay could cause harm to a potential criminal case.

While we urge all casinos to avail themselves of e-filing of BSA forms, we also urge them to carefully review the formatting and submission instructions so as to avoid simple errors that can be costly to the casino and law enforcement.

Questions concerning e-filing of BSA forms, or the requirements of the Bank Secrecy Act in general, can be directed to your assigned ITG Specialist.

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 (716) 686-4860, or via e-mail at tege.itg.schemes@irs.gov

Want to Avoid Penalties?

Are you incurring penalties? Do you want to eliminate penalties in the future? ITG has a "Helpful Hints to Avoid Penalties" job aid that can assist you. It's available by ordering our "Tax Tools for Tribes" CD-Rom via e-mail at ITG.TaxTools@irs.gov.



ITG Undertakes Changes in Response to the Customer Satisfaction Survey

A team of ITG Specialists recently convened to analyze the results of last fall's Customer Satisfaction Survey. The data showed several common areas of concern by tribes. The team developed a series of actions to address the concerns, and also developed changes in future survey processes in the hope that we can increase the survey response rate.

Many of the actions have been recently implemented, while others will be occurring over the next 3-6 months. These actions include, but are not limited to:

Providing increased information on tribal member federal tax issues:

- Our newsletters will now contain at least one page that is dedicated to the individual tax issues faced by tribal members.
- The "Frequently Asked Questions" section of our web site at www.irs.gov/tribes will contain a new category focused solely on tribal member issues.
- Our Individual Issues Primer for Tribal Members will be automatically distributed to every tribe each January as part of our "Tax Tools for Tribes" CD-Rom.

Improving the timeliness of information on federal tax law changes that affect tribes:

- Issue a revised "Tax Tools for Tribes CD-Rom to every tribe each time an ITG tax product is updated due to a law or regulatory change, and include an "Alert" noting the change and potential impact on the tribe.
- Update the ITG listing of Tribal and Navajo Chapter contacts, so that our issuances reach a designee at 100% of the tribes/chapters.

Improve our outreach efforts for the Navajo Chapters:

- In conjunction with the Navajo Nation, conduct comprehensive Employment Tax training for every Navajo Chapter, using an approach modeled after successful efforts in Alaska.
- Create a unique issue of ITG News that is solely for the Navajo Chapters and will focus on the federal tax issues of concern to them.

Improve awareness of federal tax law issues of greatest concern to each tribe:

- Conduct an annual solicitation of each tribe for issues they believe are unique to them, and that are not being addressed by ITG.

Improve assistance in the area of federal tax and deposit penalties:

- Update the "Helpful Hints to Avoid Penalties" job aid for tribes, to include more content on relevant issues being faced by tribes.

Improve explanations of why examination adjustment were made, and help the tribe to avoid similar problems in the future:

- At the conclusion of every examination or Compliance Check where a problem was identified, ITG will issue a letter listing the specific problem, the likely cause, and recommendations for future prevention of items that may recur.

If there are any questions on any of these items, please feel free to contact your assigned ITG Specialist, and our thanks to all of the tribes/chapters that provided their input to enable us to make the changes they outlined.



Economic Stimulus Payments Tribal Members Need to Know What To Do

Starting in May, economic stimulus payments of up to \$600 for individuals or \$1,200 for married couples will be issued by the IRS based on 2007 tax returns. Parents also get \$300 for each eligible child.

To receive the payments this year, people must file a 2007 tax return. That's it. The IRS will determine eligibility, figure the amount and send the payment. This payment will be in addition to taxpayers' refunds.

But, the IRS needs your help. Many people are eligible for the payments but may not know it.

Some people do not file a tax return because their income is too low or their benefits are nontaxable. Because they don't file a tax return, the IRS does not know their names or addresses.

People who do not normally file a tax return but who have at least \$3,000 in qualified income may be eligible for a minimum payment of \$300 for individuals or \$600 for married couples.

The \$3,000 must come from specific sources. It must be earned from wages or self-employment. Or, it must be from certain benefits such as Social Security retirement, Railroad Retirement or Veterans Affairs payments to disabled veterans or veterans' survivors. It also can be from a combination of wages and these benefits.

There are some restrictions. People must have valid Social Security numbers for themselves and children. Those who are claimed as a dependent on someone else's tax return, or who are eligible to be claimed as a dependent on someone else's tax return, do not qualify.

The IRS is working with the Social Security Administration and Department of Veterans Affairs to locate their beneficiaries who may be eligible. Also, people who do not file a tax return because of low incomes are hard to locate. The IRS does not have their names or addresses.

Tribal governments can help by spreading the word about these payments, especially to those people who normally don't file a tax return. The IRS also is encouraging churches, charities, nonprofit and government organizations to help reach out to those who may be eligible for the payments.

People who already file a tax return each year, need do nothing more to file their tax return. The IRS will do the rest. People who normally don't file a return can use Form 1040A with just a little information. There is no need to complete all the lines on the form. Details needed include:

- Name, address, Social Security number;
- Filing status, names and Social Security numbers of children;
- Workers with low incomes must complete Line 7;
- Recipients of certain benefits from Social Security retirement, Railroad Retirement and Veterans Affairs can report their total benefits on line 14a of Form 1040A;
- Write "Economic Stimulus Payment" at the top of the return.

Filers with bank accounts should use direct deposit. It is the fastest way to receive stimulus payments. The IRS will begin sending taxpayers their payments in early May after the current tax season concludes. These payments will not be taxable nor will the payments affect any federal benefits people are receiving.

The IRS web site, www.irs.gov, is the best source of information on economic stimulus payments.

How to Correct Already Filed W-2 When is Correction Necessary?

After you filed Forms W-2 with W-3, you discover mistakes. Now you are wondering how to correct them. Use Form W-2c to correct errors on Form W-2, or Form W-2c filed with the Social Security Administration (SSA). Also use Form W-2c to provide a corrected Form W-2, or Form W-2c to employees.

File Forms W-2c and W-3c as soon as possible after you discover an error. Also, provide Form W-2c to employees as soon as possible. For Specific Instructions for Form W-2c, please see **"Instructions for Forms W-2c and W-3c."**

Corrections reported on Form W-2c may require you to file an amended (corrected) Form 941 with Form 941c, Supporting Statement to Correct Information, with IRS.

Do not use Form W-2c to report back pay. Instead, see Pub. 957, Reporting Back Pay and Special Wage Payments to the Social Security Administration, and Form SSA-131, Employer Report of special Wage Payments.

Do not use Form W-2c to correct Form W-2G, Certain Gambling Winnings. Instead, see the Instructions for Forms 1099, 1098, 5498, and W-2G.

Use Form W-3c to send Copy A of Form W-2c to the SSA. Form W-3c is required to be filed with a single Form W-2c as well as with multiple Forms W-2c. You may file Form W-3c separately if you are simply correcting your EIN on a previously filed Form W-3. In correcting more than one kind of form, you must use a **separate** Form W-3c for each type of W-2 that you are correcting (that is Forms W-2, W-2AS, W-2GU, W-2CM, W-2VI, or Form W-2c).

You can file Forms W-2c and W-3c to the following addresses:

If you use the U.S. Postal Service:

Social Security Administration
Data Operations Center
P.O. Box 3333
Wilkes-Barre, PA 18767-3333

If you use a carrier other than the U.S. Postal Service:

Social Security Administration
Data Operations Center
Attn: W-2c Process
1150 E. Mountain Drive
Wilkes-Barre, PA 18702-7997



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Self-Assess Your Federal Tax Compliance Risks

Tribal entities can now self-assess their federal tax compliance and work with ITG to address any problems they uncover. Entities electing to participate receive a fillable template from ITG, and are provided with the name of a local ITG Specialist who will serve as their resource during the process.

Information on the program, as well as an on-line request form, is available through the "Enhancing Federal Tax Compliance" link on the right-hand of the ITG web site landing page at www.irs.gov/tribes, or you can make an inquiry about the program via e-mail to tege.itg.tefac@irs.gov



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You may file Forms W-2c and W-3c on paper. Please type all entries using dark or black ink in **12-point courier font**. If you are required to file **250 or more** Forms W-2c 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-2c. See Form 8508 for filing information. You may be charged a penalty if you fail to file electronically when required.

For purposes of the electronic requirement, only Forms W-2 for the immediate prior year are taken into account. Also, if an employer must file 200 Forms W-2c for the immediate prior year in March and then discovers that another 100 Forms W-2c for the **same year** must be filed in August, they must be filed electronically.

If you are correcting only an employee's name and/or SSN, complete Form W-2c through "box i," as appropriate. Be sure to report the employee's previously reported incorrect SSN in "box h" and/or incorrect name in "box i." Do not complete boxes 1 through 20. Advise your employee to correct the SSN and/or name on his or her original Form W-2.

If you need to correct an employee's name and SSN and the SSN was reported as blanks or zeros and the employee's name was reported as blanks, **do not** use Form W-2c to report the corrections. You **must** contact the SSA at 1-800-772-6270 for instructions.

To correct an incorrect tax year or EIN on Form W-2, file one Form W-2c showing the incorrect tax year or EIN and reducing the previously-reported money amounts to zero and a second Form W-2c reporting the money amounts (showing zeros in the "Previously reported" columns) in the correct year or with the correct EIN.

If you filed a Form W-2 with the SSA showing an incorrect address for the employee, but all other information on the Form W-2 is correct, **do not** file Form W-2c with the SSA merely to correct the address. However, if the address was incorrect on the Form W-2 furnished to the employee, **you must do one of the following:**

- Issue a new, corrected Form W-2 to the employee including the new address. Indicate "REISSUED STATEMENT" on the new copies. **Do not send Copy A to the SSA.**
- Mail the Form W-2 with the incorrect address to the employee in an envelope showing the correct address or otherwise deliver it to the employee.

Any employee copies of Forms W-2c that you tried to deliver but were undeliverable, keep for 4 years. **Do not send undeliverable Forms W-2c to the SSA.**



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) 207-8254.



Bank Secrecy Act (BSA) Examinations: Utilizing Findings to Strengthen Your Program

The findings from the initial wave of BSA examinations, at California Indian Casinos, provide valuable information to assist your casino in identifying areas that may need strengthening. Whether or not a BSA Exam has occurred at your casino, your assigned Indian Tribal Government Specialist can assist you in strengthening your program by utilizing these findings.

If a BSA Exam has not yet occurred at your casino, be assured your Indian Tribal Government Specialist will attend the opening and closing conferences. The Specialist will also serve as a facilitator to ensure the BSA Examiner is aware of appropriate contacts at the Tribe, Casino, and the Gaming Commission. Once a BSA exam is completed, Letter 1112 will be issued. An attachment to the letter will discuss any weaknesses and recommendations that have been identified. As stated in the letter, it will be incumbent upon the casino "to implement the appropriate corrective action(s) in a timely manner..." Your ITG Specialist will offer assistance to help determine methods that can be used to strengthen the BSA Program and to serve as a resource during the implementation of program changes.

Although each BSA exam is unique, those that have been completed have seen some common findings. Examples of these findings include:

- 1.) The BSA written compliance program does not conform to various sections of Part 103 of Title 31, such as 103.64, 103.21, 103.22, 103.27, and 103.36.
- 2.) The casino did not perform a risk analysis to assess the adequacy of their policies, procedures, and internal controls for suspicious activity reporting.
- 3.) The controls that are in place are not based on the casinos risk and/or are not documented in the written program.
- 4.) There are no procedures or ability to do electronic review for suspicious activity in the area of slot machines and/or kiosk payouts. For example, there should be software that can run reports on the following reviews: scanned slot ticket data, drop handle matrix for potentially suspicious slot activity.
- 5.) There are no procedures in place to use error reports from the Detroit Computing Center regarding filed CTCRCs to determine if there is suspicious activity.
- 6.) Surveillance is not sufficiently utilized to uncover suspicious activity in the slot area. Surveillance does not receive adequate training in Title 31 regulations in general, and specifically in identifying suspicious activity.
- 7.) Suspicious activity reporting relies solely on visual observation. Look-back reviews are not being performed to identify potential suspicious activity, such as structuring.
- 8.) Internal and/or external testing is limited to controls already in place, which are not adequate. Internal/external auditors have little experience with Title 31 regulations. Suspicious activity identification/investigating/evaluating are usually not addressed by the auditors.
- 9.) Written program does not provide sufficient detail on the content of the training. The same items are covered and tested year after year.

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10.) The determination to file a SARC is being made too low in the organization, resulting in a lack of consistency throughout the casino.

11.) There is little if any oversight of the day to day compliance by upper management.

12.) Identified suspicious incidents are not tracked to assure they are properly investigated and evaluated.

Your ITG Specialist is available to meet with your Tribe, Casino, and/or Gaming Commission, to discuss these and other findings in more detail. Whether the Specialist works with you on specific findings resulting from an already completed BSA exam at your property or on an outreach basis to increase your awareness level of potential areas that may be strengthened at your casino, it is our hope that you take advantage of this opportunity. All it takes is a phone call to your Specialist to begin the process.



Self-Employment Tax Notices on Per Capita Distributions and How to Correct

When tribal members receive per capita distributions from their tribe, they report their per capita distributions on Form 1040, Line 21, as "Indian Gaming Proceeds", "Indian Tribal Distrib", or "Native American Distrib". The Per Capita distributions are NOT subject to Self-Employment (SE) Tax.

The tribe furnishes Form 1099 MISC to their tribal members showing how much per capita was distributed to each tribal member, and distributions are reported on Form 1099 MISC, Box 3 Other Income.

We (ITG) have noticed that some tribal members received a notice from IRS stating that they owe SE Tax. We have been working with another division (SB/SE) in IRS and the Taxpayer Advocate's office to fix this problem.

If a tribal member receives a SE Tax Notice for Per Capita Distributions, please contact the tribal finance office for assistance. The tribal office assures that their tribal members respond to the notice (IRS) explaining the funds were a result of gaming per capita distributions or non-gaming per capita distributions, which are NOT subject to SE Tax. If that doesn't work, the tribal office can contact their assigned ITG Specialist for assistance. The ITG will work on a case by case basis with SB/SE and the Taxpayer Advocate's Office to assist with this problem.

Federal Tax Calendar for Second Quarter 2008

April 2008

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

May 2008

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

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

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

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



June 2008

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

* = Make a Payroll Deposit if you are under the semi-weekly deposit rule. NOTE: Deposits made through EFTPS must be initiated at least
 **= Make a Monthly Deposit if you qualify under that rule.

Return Filing Dates

April 30th

- > File Form 730 and pay the tax on applicable wagers accepted during March.
- > File Form 941 for the 1st quarter of 2006. If all deposits paid on time and in full, file by May 12th.

June 2nd

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

June 30th

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

July 1st

- > File Form 11-C to register and pay the annual tax if you are in the business of taking wagers.