



Focus on Form 1042

The office of Indian Tribal Governments (ITG) has embarked on an initiative to improve compliance with the withholding requirements relating to funds paid to non-resident aliens. In general, all such payments require the payer to withhold 30%, and provide the recipient with Form 1042-S which they will use to report the income and claim the withholding. For Tribal governments, withholding and the preparation of Form 1042-S is generally required when a governmental entity remits funds to a foreign vendor, foreign patron, and/or foreign entertainer.

Form 1042 is the income tax return for reporting the liability for non-resident alien withholding tax, the amounts withheld, the reportable amounts paid to foreign persons and any credit claimed for amounts withheld by other withholding agents. Form 1042 is due on March 15th of the year following the year of the payment. All Forms 1042 are required to be filed on a calendar year basis, and consolidation of separate legal entities for Form 1042 filing purposes is NOT permitted.

Questions often arise concerning how a tribe may recognize that someone is a non-resident alien. In general, this should be addressed at the time the tribe secures a Form W-9 from a vendor or entertainer, or secures identification from a patron. While we recognize that some payments, such as slot jackpots at a casino, may not create a need for identification, it is important that the tribal entity exercise due diligence and ensure that its cage or player tracking systems have processes that can identify these patrons and impose the correct withholding and reporting.

Over the next several months, ITG will be specifically addressing this area in outreach seminars, compliance checks, and examinations. If you have questions or concerns about requirements to withhold on payments to nonresident aliens, or on filing Forms 1042/1042-S, you should contact your designated ITG Specialist as soon as possible. A [current list of ITG Specialists](#) is maintained on the ITG web site, and includes their telephone numbers and business hours.



Special Rules Apply to Withholding and Reporting on Payments to Non-Resident Aliens

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Upcoming Events

Consultation Listening Meeting	July 15th—Tulsa, Oklahoma
Consultation Listening Meeting	August 12th—Albuquerque, New Mexico



Correcting Employment Tax Errors

The Internal Revenue Service has revised the process for correcting Employment Tax errors, except for adjustments relating to unreported tip income from prior tax periods. Adjustments relating to unreported tip income, will continue to be reported on the Form 941 for the current calendar quarter (the quarter for which the entity received a Notice and Demand), using Line 7c.

To correct all other employment tax errors, use the new corresponding "X" forms listed below to correct employment tax errors as soon as they are discovered. For example, use the new Form 941-X, Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund, to correct errors on a previously filed Form 941.

For overpayments - Employers can choose to make an adjustment or claim a refund on the corresponding "X" form.

For underpayments - Employers correcting an underpayment must use the corresponding "X" form. Amounts owed must be paid by the receipt of the return. Payments can be made using [EFTPS](#), by sending a check, or by [credit card](#).

94X Series Adjusted Tax Forms	
Return previously filed	Corresponding 94X series form
Form 941, Employer's Quarterly Federal Tax Return (PDF)	Form 941-X, Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund, Instructions
Form 943, Employer's Annual Federal Tax Return for Agricultural Employees (PDF)	Form 943-X, Adjusted Employer's Annual Federal Tax Return for Agricultural Employees or Claim for Refund, Instructions
Form 944, Employer's Annual Federal Tax Return (PDF)	Form 944-X, Adjusted Employer's Annual Federal Tax Return or Claim for Refund, Instructions
Form 945, Annual Return of Withheld Federal Income Tax (PDF)	Form 945-X, Adjusted Annual Return of Withheld Federal Income Tax or Claim for Refund, Instructions

Note: [Form 940, Employer's Annual Federal Unemployment \(FUTA\) Tax Return](#) (PDF) is used to file amended Form 940 returns .

If you have any questions or encounter any difficulties in regard to the new correction process, please contact your [designated ITG Specialist](#).

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.



New Rule Has Dramatically Reduced Casino CTRC Filings

The Financial Crimes Enforcement Network (FinCEN) reported in a new study that the number of currency transaction reports filed by casinos (CTRCs) fell by more than a third after FinCEN reduced reporting requirements on certain categories of transactions that FinCEN had determined do not pose a significant risk for money laundering, terrorist financing, or tax evasion.

As demonstrated by this latest report, FinCEN is committed to providing feedback to its regulated industries within 18 months of the effective date of new rules or changes to existing regulations as part of the bureau's efficient and effective administration of the Bank Secrecy Act.

"FinCEN is working with industry so that casinos and all financial institutions can focus their attention on areas with greater likelihood of fraud, terror financing and money laundering rather than spending time on redundant filings," FinCEN Director James H. Freis, Jr. said in announcing the study entitled [An Assessment of Currency Transaction Reports Filed by Casinos between July 1, 2006 and June 30, 2008](#). "This report - together with casino reporting rule changes - shows how FinCEN and industry are working jointly to focus where there is greater risk."

The number of CTRC filings during the period from July 2007 through June 2008 dropped by 35 percent, or 285,000, after FinCEN issued a rule exempting jackpots from slot machines and video lottery terminals. FinCEN compared filings during the period from July 2007 through June 2008, with filings during the 12-month period preceding issuance of the rule. During the period from July 2007 through June 2008, the number of filings on cash out payments from jackpots on wagers in slot machines and video lottery terminals fell to 112,027, a decrease of 74 percent, from 426,325 during the 12-month period preceding issuance of the rule.

The reasoning behind the 2007 rule change was that jackpot winnings in excess of \$10,000 at slot machines or video lottery terminals are random and not likely to be part of a scheme to launder funds through the casino. Further, winnings on jackpots of \$1,200 or more must be reported to the Internal Revenue Service.

The rule also excluded currency transactions exceeding \$10,000 conducted between casinos and currency dealers or exchangers, and between casinos and check cashers, which are routine and contractual casino business transactions. Requiring a casino to file CTRCs for these transactions resulted in duplicative reporting, since currency dealers or exchangers and check cashers are already required to file CTRs on these transactions. The 2007 rule change eliminated this duplication of effort.

The drop in CTRC filings confirms the expected results of the rule change to promote more efficient allocation of resources by the casino industry and the government while effectively getting law enforcement information necessary to pursue the common goal of fighting crime, terrorist financing, and other illicit activity.

This study also evaluated the quality of CTRC filings. A higher quality of CTRC reporting increases the usefulness to law enforcement in criminal, tax, regulatory and counterterrorism investigations.



Co-Founder of Casino-Cheating Criminal Enterprise Pleads Guilty to Racketeering Conspiracy Targeting Indian Casinos

Tai Khiem Tran, 47, pleaded guilty on February 13th to conspiring to participate in a racketeering enterprise, the "Tran Organization," in a scheme to cheat casinos across the United States and Canada. Tran admitted that he and his co-conspirators unlawfully obtained up to \$1 million during card cheats.

A three-count indictment was returned May 22, 2007, and unsealed in the Southern District of California on May 24, 2007, charging Tran and 13 others each with one count of conspiracy to participate in the affairs of a racketeering enterprise; one count of conspiracy to commit several offenses against the United States, including conspiracy to steal money and other property from Indian tribal casinos; and one count of conspiracy to commit money laundering. The indictment also charged five separate individuals each with one count of conspiracy to commit several offenses against the United States, including conspiracy to steal money and other property from Indian tribal casinos; and one count of conspiracy to commit money laundering.

In his plea agreement, Tran admitted that on numerous occasions between approximately August 2002 and June 2005, he participated in gambling cheats together with other alleged members of the Tran Organization at casinos in California and Canada. Tran admitted to targeting at least seven casinos in the racketeering conspiracy, including:

- Agua Caliente Casino, in Palm Springs, Calif.;
- Barona Valley Ranch Resort and Casino, in Lakeside, Calif.;
- Cache Creek Casino Resort, in Brooks, Calif.;
- Casino Rama, in Orillia, Ontario, Canada;
- Pechanga Resort and Casino, in Temecula, Calif.;
- Spa Resort Casino, in Palm Springs, Calif.; and
- Sycuan Casino, in El Cajon, Calif.

According to the indictment, the defendants and others executed a "false shuffle" cheating scheme at casinos in the United States and Canada during blackjack and mini-baccarat games. The indictment alleges that members of the criminal organization bribed casino card dealers and supervisors to perform false shuffles during card games, thereby creating "slugs" or groups, of un-shuffled cards. The indictment also alleges that after tracking the order of cards dealt in a card game, a member of the organization would signal to the card dealer to perform a "false shuffle," and members of the group would then bet on the known order of cards when the slug appeared on the table. By doing so, members of the conspiracy repeatedly won thousands of dollars during card games, including winning up to \$868,000 on one occasion.

The indictment also alleges that the members of the organization used sophisticated mechanisms for tracking the order of cards during games, including hidden transmitter devices and specially created software that would predict the order in which cards would reappear during mini-baccarat and blackjack games.

An indictment is merely an allegation and is not evidence of guilt. A defendant is entitled to a fair trial in which it will be the government's burden to prove guilt beyond a reasonable doubt.

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Tran's sentencing is scheduled for July 13, 2009, in San Diego before U.S. District Judge John A. Houston. At sentencing, Tran faces a maximum sentence of 20 years in prison on the racketeering conspiracy charge. Tran agreed to a personal money judgment in the amount of \$823,612, which will be entered by way of a preliminary order of forfeiture. He also acknowledged that the restitution that he may be ordered to pay by the court at sentencing is not limited by the forfeiture amount. Tran agreed to the forfeiture of his interests in various assets, including a house in the San Diego area, a 2006 Mercedes Benz, and various pieces of jewelry. Tran was also charged in Orillia, Ontario, Canada, for his admitted cheating activities at Casino Rama.

A second indictment has alleged that 11 additional defendants conspired to commit offenses on behalf of the Tran Organization. A one-count indictment, unsealed in the Southern District of California on Sept. 11, 2008, charged Bryan Arce; Don Man Duong; Hogan Ho; Thang Viet Huynh; Outtama Keovongsa; Leap Kong, a/k/a Lanida Kong; Qua Le; Khunsela Prom, a/k/a Danny Prom; James Root; Darrell Saicocie; and Dan Thich each with one count of conspiracy to commit several offenses against the United States, including conspiracy to steal money and other property from Indian tribal casinos, and conspiracy to travel in interstate and foreign commerce in aid of racketeering.

To date, 26 defendants, including Tran, have pleaded guilty to charges relating to the casino-cheating conspiracy: Phuong Quoc Truong; Anh Phuong Tran; Phat Ngoc Tran; Martin Lee Aronson; Liem Thanh Lam; George Michael Lee; Tien Duc Vu; Son Hong Johnson; Barry Wellford; Willy Tran; Tuan Mong Le; Duc Cong Nguyen; Han Truong Nguyen; Roderick Vang Thor; Sisouvanh Mounlasy; Navin Nith; Renee Cuc Quang; Ui Suk Weller; Phally Ly; Khunsela Prom; Hop Nguyen; Hogan Ho; Darrell Saicocie; Bryan Arce; and Qua Le. These defendants admitted to targeting, with the aid of coconspirators, a combined total of approximately 24 casinos during the course of the conspiracy.

The case is being investigated by the FBI's San Diego Field Office; the Internal Revenue Service-Criminal Investigation; the San Diego Sheriff's Department; and the California Department of Justice's Bureau of Gambling Control. The investigation has received assistance from federal, state, tribal and foreign authorities, including: the Ontario Provincial Police; the National Indian Gaming Commission; the U.S. Attorney's Office for the Western District of Washington; FBI Resident Agencies in Gulfport, Miss., Tacoma, Wash., and Toledo, Ohio; the Indiana State Police; the Rumsey Rancheria Tribal Gaming Agency; the Sycuan Gaming Commission; the Barona Gaming Commission; the Mississippi Gaming Commission; and the Washington State Gambling Commission.

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



New Withholding Tables for Employers

The Internal Revenue Service released new withholding tables that will result in more take-home pay this spring for millions of American workers.

The new tables incorporate the new Making Work Pay credit, one of the key tax provisions included in the American Recovery and Reinvestment Act of 2009 that became law in February.

“For most taxpayers, the additional credit will automatically start showing up in their paychecks this spring,” said IRS Commissioner Doug Shulman. “Since employers and payroll companies will handle this change, people typically won’t need to take any additional action. The IRS will continue working to implement this and other provisions of the new law as quickly as possible.”



The new withholding tables, along with other instructions related to the new tax law, will be incorporated in new [Publication 15-T, New Wage Withholding and Advanced Earned Income Credit Payment Tables](#). This publication is posted to the IRS web site and was mailed to more than 9 million employers in mid-March. The IRS asks that employers start using these new tables as soon as possible but not later than April 1. Most workers will see a boost in their take-home pay soon thereafter.

Eligible workers will get the benefit of this change without any action on their part. The means that workers don’t need to fill out a new W-4 withholding form to get the Making Work Pay credit reflected in their take-home pay. A Form W-4 will not need to be submitted for the automatic withholding change. Individuals and couples with multiple jobs may want to submit revised [Form W-4](#) forms to ensure enough withholding is held to cover the tax for the combined income. Publication 919 provides additional guidance for tax withholding.

Available for tax years 2009 and 2010, the Making Work Pay credit is 6.2 percent of a taxpayer’s earned income with a maximum credit of \$800 for married couple filing a joint return and \$400 for other taxpayers, but it is phased out for higher income taxpayers. Most workers will qualify for the maximum credit. Because the credit is refundable (people can get it even if they owe no tax), most low-income workers will also qualify for the full credit.

Though all eligible taxpayers will need to claim the credit when they file their 2009 income tax return ext year, the benefit will generally be spread out over the paychecks they receive beginning this spring and continue until the end of the year.

Many higher-income taxpayers will see little or no change in their take-home pay. That’s because the Making Work Pay credit is phased out for a married couple filing a joint return whose modified adjusted gross income (AGI) is between \$150,000 and \$190,000 and other taxpayers whose modified AGI is between \$75,000 and \$95,000.

Taxpayers will not get a separate, special check mailed to them from the IRS like last year’s economic stimulus payment.



IRS Releases Information to Help Employers Claim COBRA Medical Coverage Credit on Payroll Tax Form

The Internal Revenue Service has released new detailed information that will help employers claim credit for the COBRA medical premiums they pay for their former employees. The IRS has unveiled [new information](#) on their web site, www.irs.gov, that includes an extensive set of [questions and answers](#) for employers. In addition, the Web site contains a revised version of the quarterly payroll tax return that employers will use to claim credit for the COBRA medical premiums they pay for their former employees.

[Form 941](#), Employer's Quarterly Federal Tax Return was sent to employers in mid-March. The form is used to claim the new COBRA premium assistance payments credit, beginning with the first quarter of 2009.

The American Recovery and Reinvestment Act of 2009 includes changes to the health benefit provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, commonly referred to as COBRA. The new law will affect former employees and their families, employers and others involved in providing COBRA coverage.

Under the new law, eligible former employees, enrolled in their employer's health plan at the time they lost their jobs, are required to pay only 35 percent of the cost of COBRA coverage. Employers must treat the 35 percent payment by eligible former employees as full payment, but the employers are entitled to a credit for the other 65 percent of the COBRA cost on their payroll tax return.

Employers must maintain supporting documentation for the credit claimed. This includes:

- Documentation of receipt of the employee's 35 percent share of the premium.
- In the case of insured plans: A copy of invoice or other supporting statement from the insurance carrier and proof of timely payment of the full premium to the insurance carrier.
- Declaration of the former employee's involuntary termination.

COBRA provides certain former employees, retirees, spouses, former spouses and dependent children the right to temporary continuation of health coverage at group rates. COBRA generally covers health plans maintained by private-sector employers with 20 or more full and part-time employees. It also covers employee organizations or federal, state or local governments. It does not apply to churches and certain religious organizations. The new COBRA subsidy provisions also apply to insurers required to offer continuation coverage under state law similar to the federal COBRA.

More information about COBRA payments and the new law is available on www.dol.gov.



Reduce Unnecessary Contacts with the IRS

Tribal entities with tipped employees can reduce unnecessary contacts with the IRS simply by reporting all employee tips as “social security tips” on all required federal tax forms. Even if your entity processes some or all of the tips through payroll, the tips should still be reported as “social security tips” (with one exception noted at the end of this article).

As part of monitoring by the IRS to insure tax law compliance, Indian Tribal Governments (ITG) reviews the tips reported by tribal entities on their federal tax forms. For tip compliance issues ITG reviews the amount of employee social security tips reported on Forms 941 *Employers Quarterly Federal Tax Return*, W-2 *Wage and Tax Statement*, and W-3 *Transmittal of Wage and Tax Statement*. All employee tips, except those exceeding the social security wage base, should be reported separately as social security tips on *line 5b* of Form 941, and on *line 7* of Forms W-2 and W-3.

If the reported social security tips appear to be unusually low, all available information on the entity will be further examined to determine if contact is warranted. If the apparent issue can not be resolved internally, ITG may investigate the issue with telephone calls, letters, or assignment of a case to the field for resolution.

As mentioned previously, there is one exception to reporting certain payments as social security tips. In accordance with *Revenue Ruling 66-74, 1966-1 C.B. 229*, mandatory service charges or gratuities required by the business and paid directly to the business by the customer are considered wages rather than tips.

If you have been reporting social security tips as wages, or if you have any questions related to tip reporting, please contact the ITG Tip Compliance Coordinator Suzanne Perry at (602) 207-8254 or via e-mail at Suzanne.V.Perry@irs.gov.

Casino Free Play is Not a Wagering Loss

We recently identified a problem with certain software being used by some casinos to track and report wins and losses from customer wagers. The specific problem relates to “Free Play” dollars given to customers. The software counts the Free Play funds (in one case called “Personal Banker Transactions”) as wagers by the customer, as though made with the customer’s own funds. They are listed on the Annual statements as “Dollars In” or “Loss”. Since the amount wagered under Free Play is not an actual wager of the customer’s money, it is not considered as a loss. In one specific case, the system generates a disclaimer that states that the “Dollars In” amount may not be an accurate representation of investment.

Gambling losses can only be deducted to the extent of gambling winnings. However, free play funds are not losses, since free play money is given to the customer as an incentive to play. Due to the fact that the actual “free play” cannot be redeemed for real money, it is not reportable on Form 1099. However, winnings from Free Play are reportable as winnings to the customer, and on any annual statement.

If the annual statements generated by the software are used for tax purposes, the “dollars in” number is overstating the customer losses and essentially misleading the customer to declare more losses than they actually had. Since Free Play is a common marketing tool, one that may grow in popularity in the current economic decline, casinos should review their software and reporting procedures to ensure that they are not providing information that overstates losses and misleads customers into claiming losses they did not incur.



Fuel and Communication Excise Tax

Fuel Excise Taxes: Fuel used for tribal government “**essential government functions**” are exempt from federal fuel tax in the same manner as state and local governments. It will apply to school buses, tribal police cars, fire trucks, etc.

Some examples of **non-governmental functions** fuel purchases are: fuel purchased for use of individual tribal members, smoke shop autos, casino shuttle buses, casino security police cars, etc. These are **NOT** exempt from federal fuel tax.

To purchase diesel fuel excise tax free, a certificate of exemption must be filed with the vendor. Diesel fuel can only be purchased tax free from a registered vendor. Tribal governments cannot file fuel tax credits for diesel fuel (there is no provision to claim a fuel tax credit for taxed diesel fuel used by the tribe for essential government functions).

For essential government functions, gasoline may be purchased tax free with a certificate of exemption, only from a wholesale gasoline distributor. If gasoline is purchased tax-paid for essential government functions, a claim can be filed using “Form 8849 Claim for Refund of Excise Taxes” with schedule 1 completed. Follow the instructions for State & Local Governments (annual claims can be filed). When you file the Form 8849, be sure you meet the record keeping requirements.

There is **NO exemption** that would allow an Indian Tribal Government to purchase fuel tax free for **RESALE** to consumers. Therefore, gasoline wholesale distributors and diesel fuel ultimate vendors may not sell fuel tax free to the tribal government for RESALE to consumers or claim a credit or payment equal to the tax previously paid (Revenue Ruling 94-81).

Communication Excise Tax: This is the excise tax (3%) charged on the telephone bills or on leased telephone systems for all of the following communication services: Local telephone services and Teletype exchange service.

Essential government function uses are exempt from federal communication excise tax. The tribe can contact their communication provider to arrange for this tax not to be asserted (submit signed exemption form). If this tax is being charged, a certificate of exemption should be filed with the provider of the telephone service or system requesting a refund for any communication tax collected during the year. If a tribe prefers, they can file a Form 8849 with schedule 6 of the Form 8849 to claim a refund, and it can be filed quarterly. The amount claimed must be at least \$750.

Caution: Do not combine Schedule 1 and Schedule 6 with one Form 8849. You do need to prepare a Form 8849 Schedule 1 for Fuel Excise Tax claims, and you do need to prepare a separate Form 8849 with Schedule 6 for Communication Excise Tax claims.

Reference: Revenue Ruling 94-81 and Publication 510 Excise Taxes.



Certain Payments and Form 1099-MISC.

There are common payment issues, concerning Form 1099 payees, that have been brought to our attention while working with tribal entities. This article provides a brief overview of these payments. The article also discusses how to prevent some Form 1099 Penalties and potential back-up withholding liabilities.

Some payments are not required to be reported on Form 1099-MISC, although they may be taxable to the recipient. Common payments for which a Form 1099-MISC is not required:

Generally, payments to a corporation
Payments for merchandise, telegram, telephone, and similar items

Pow-Wow prizes: When payments of \$600 or more are made to a powwow contest winner and/or vendor, whether a tribal member or not, a Form 1099-MISC is required to be issued.

Medical and Legal Service Providers: Payments to Medical and Legal service providers **are required** to be reported on Form 1099-MISC, **even if the payee is incorporated**. These payments are exempt from the general payments to a corporation exception.

“Per Capita” Distributions: Per Capita Distributions are the distribution of money or other things of value to members of the tribe that are paid from the net revenues of any tribal gaming activity or other sources of income, such as income from a smoke shop, a tribal land lease, and the Revenue Sharing Trust Fund from the State of California. These payments are reported on Form 1099-MISC. Although commonly known as “per capita”, the distribution does **not** have to be made on an equal basis or to all members to be taxable.

If it is a gaming distribution, then it is subject to Federal Income Tax Withholding. Please see Publication 15-A, Employer’s Supplemental Tax Guide, for withholding requirements.

Form W-9: The strongly recommended method to obtain the necessary information on the payee, to avoid penalties and potential back-up withholding tax liabilities, is to secure a Form W-9, Request for Taxpayer Identification Number and Certification. A Form W-9 is used by persons required to file information returns (such as Forms 1099-MISC, Forms 1099-R, or Forms W-2G) with the IRS, to secure the payee’s correct identifying information including the Taxpayer Identification Number (TIN). The legibly and correctly completed, and signed, Form W-9 must be secured prior to making the payment.

A Social Security Number (SSN) must be used with an individual name even though he or she may also have an Employer Identification Number (EIN). He or she must always furnish his or her individual name regardless of whether he or she uses a SSN or an EIN. A sole proprietor may also provide a business name or dba (“doing business as”), but the individual name must be listed first on the account.

If you have any questions or concerns regarding the reporting of the Form 1099-MISC, please contact your assigned ITG Specialist.



Tax News For You!

Individual Tribal Member Information

American Recovery and Reinvestment Act of 2009

Most of the tax provisions of this new legislation will not affect taxpayers until they file their 2009 tax returns next year. However, there are a few items that may impact taxpayers in 2008:

Making Work Pay Credit: This credit will be taken on the 2009 and 2010 tax returns, and is equal to the lesser of 6.2 percent of the individual's earned income or \$400 (\$800 for married couples filing jointly). The Making Work Pay Credit is phased out for a married couple filing a joint return whose modified Adjusted Gross Income (AGI) is between \$150,000 and \$190,000 and other taxpayers whose modified AGI is between \$75,000 and \$95,000.

Although taxpayers will claim the credit when they file their 2009 income tax return next year, many taxpayers will see the benefit sooner in the form of reduced withholding from paychecks beginning this spring and continuing until the end of the year.

The Internal Revenue Service recently released new withholding tables that will result in more take-home pay this spring for millions of American workers. A Form W-4 will not need to be submitted for the automatic withholding change. However, individuals and couples with multiple jobs may want to submit revised Forms W-4 to ensure enough withholding is held to cover the tax for the combined income.

Economic Recovery Payment to Recipients of Social Security, SSI, Railroad Retirement and Veterans Disability Compensation Benefits - Most taxpayers will not get a separate, special check from IRS this year, like last year's economic stimulus payment. However, the bill provides a one-time payment of \$250 to retirees, disabled individuals and SSI recipients receiving benefits from the Social Security Administration, Railroad Retirement beneficiaries, and disabled veterans receiving benefits from the U.S. Department of Veterans Affairs. The one-time payment will reduce any allowable Making Work Pay credit. This payment will not come from the IRS, but from the agency paying the benefit. Taxpayers are not required to file a tax return in order to receive this benefit.

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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.



Tax News For You!

Individual Tribal Member Information

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First-time Homebuyer Credit - The new law raises the current maximum \$7,500 first-time homebuyer tax credit to \$8,000, and extends it at that level through November 30, 2009. It also eliminates any required repayment to the IRS as long as the house is not sold within 36 months of purchase. These enhancements apply to purchases of a principal residence by a first-time homebuyer after December 31, 2008. Purchases on or after April 9, 2008 and before January 1, 2009 continue to be governed by the original first-time homebuyer credit enacted last year. The credit phases out for taxpayers with adjusted gross income in excess of \$75,000 (\$150,000 in the case of a joint return).

Increase in Earned Income Tax Credit. - The bill temporarily increases the earned income tax credit for working families with three or more children, and increases the beginning point of the phase-out range for all married couples filing a joint return (regardless of the number of children.) Taxpayers who are eligible for the Earned Income Credit and have a qualifying child can see an immediate increase in their take-home pay through the Advanced Earned Income Tax Credit (AEITC). The AEITC gives a portion of the Earned Income Tax Credit in each paycheck. To receive the AEITC, complete Form W-5 and give it to your employer.

Tax Tip for 2008 returns:

Rebate Recovery Credit – The Economic Stimulus Payment received in 2008 was based on information from your 2007 tax return. If you did not receive the Economic Stimulus, or did not receive the maximum amount, the Rebate Recovery Credit on your 2008 tax return gives you a second chance. Use the Recovery Rebate Credit Worksheet (see the instructions for Line 70 of the Form 1040) to see if you are due an additional amount. You will need to know the amount of Economic Stimulus Payment you received in 2008 – you can confirm this amount by using the “How Much Was My 2008 Stimulus Payment” feature at www.irs.gov, or by calling the IRS at 1-866-234-2942.

Volunteer Tax preparation is available in many communities until April 15, 2009

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 “Self Assess Tribal Tax Compliance” link on the right-hand of the ITG web site landing page at www.irs.gov/tribes,



FREE Basic Employment Tax Workshops

ITG will be offering a series of full day seminars on a wide range of Employment Tax topics. These seminars will focus on the issues you have to consider when you are making federal tax deposits, preparing information reporting returns and filling out Forms 941 and 945. Some of the topics to be covered are:

- How to Avoid Penalties and Interest
- Independent Contractor and Employee determinations
- The Collection Process – What to do When you Receive a Notice
- Preparation of Forms (941, 945, 1099, W-2, W-4, W-9)
- Timely Federal Tax Deposits
- Travel and Other Expenses
- Internal Controls, Record Keeping and Continuity

These seminars are scheduled for Sacramento, Ca July 08; Santa Rosa, Ca July 15; Yurok, CA July 23; Reno, NV July 28; and Elko, NV July 30. These classes are free. ITG will have two experienced and knowledgeable specialists to teach these sessions. This will be a great opportunity to get all of your questions answered and to meet with the Specialist who works regularly with your respective tribes.

Please contact your ITG Specialist if you have any questions or want more information. Space is somewhat limited, so contact your Specialist to reserve a spot.

Notes From the Western Edition Editor

With this Western Edition of ITG NEWS, we are transitioning in a new editor. Most of the content of ITG News is provided nationwide, but we do have limited space to devote to topics that we select for this edition that goes to California and Nevada tribal entities. We welcome receiving **input from you**, with suggestions of topics that you believe would be helpful to include in future editions. You may send these suggestions to me at Scott.J.Karafin@irs.gov. I look forward to serving as your editor.

In the January, 2009 edition of ITG News, the recently revised **Publication 3908 (Gaming Tax Law for Indian Tribal Governments)** was referenced. Of particular interest to California Tribal Casinos, there were several clarifying additions and wording changes made to the "Gaming Withholding & Reporting Threshold" table and flowchart on pages 32 & 33. Examples/highlights are provided below.

The prior revision had inadvertently removed a **wagering pool** reporting/withholding requirement that applies "regardless of payout ratio", causing concern among many Tribal casinos, which is now added. The "payout ratio" phrase is also new, as some casinos expressed concern that the previously used term "odds" did not convey the intent of the regulation. Casinos had also frequently questioned the **bad beat poker** filing requirement. The longstanding position of the Service is that a bad beat poker win is a prize received with **no wager**, as the wager is on the poker hand, and the applicable information return is a Form 1099. A prior revision of a similar table issued by IRS had included bad beat, indicating the Form 1099 filing requirement, and with this revision we have re-inserted bad beat to avoid any further confusion. Also, the term "**traditional**" was added to several **blackjack** references, as casinos had questioned whether the blackjack exception to the Form 1042-S filing requirement applied to blackjack tournaments and machines/virtual gaming stations. The phrase "traditional" was added to convey the intent of the exception is to apply to the traditional table game of blackjack.



Message from the Director

We recently completed a thorough analysis of the feedback given by tribes through our annual Customer Satisfaction Survey. While the overall feedback was very positive, we were able to identify a number of areas where we can improve through the development of new products, or the modification of existing processes.

One specific change involves ITG News. As you may have noted, this Message is no longer on the front page. That is the result of changes we are making to the newsletter, through the addition of more technical content, and placing the most critical information in the front sections. We will be transitioning to this format over the next few issues.

We will also be making enhancements to the ITG web site, with a major focus on making more information readily available on current issues. Critical news items will also be disseminated via Special Editions of ITG News, so that you do not need to search the web site or wait for the next quarterly issuance.

We will be instituting a process that will guarantee a return telephone call from our staff within 24 business hours. We continue to encourage tribes to use the [contact information](#) that is available from the ITG web site, but if you cannot reach your designated ITG Specialist, we will return your call no later than the next business day.

We will be seeking to expand our regional 2 day Employment Tax seminars that were piloted last year in Alaska and the Southwest. We hope to schedule 10 or more of them later this fiscal year, and tribes will be able to sign up attendees on-line.

Finally, we are in the preliminary stages of developing a kit to help tribes get their payroll processing back in operation in the event of a sudden disruption, such as unplanned staff turnover, or a loss of records. This initiative, known as PREPARE (Payroll Resumption Emergency Procedures and Reporting Essentials), is designed to provide a tribe with immediate assistance to mitigate any potential tax or penalty issues that might arise. We plan to implement this in the summer of 2009.

As always, I welcome your feedback and further suggestions on how we can best address federal tax administration needs for Tribes. I can be contacted at any time at 202-283-9800, or via e-mail at Christie.Jacobs@irs.gov.

Christie Jacobs



Federal Tax Calendar for Second Quarter 2009

April 2009

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

File Form 730 for wages received during March
File Form 941 for the first quarter of 2009

May 2009

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

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

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

15 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 2009

Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1 <i>File Form 730 for wagers received during April</i>	2	3 * Make a deposit for 5/27-5/29	4	5 * Make a deposit for 5/30-6/2	6
7	8	9	10 * Make a deposit for 6/3-6/5 Employees report May tip income to employers if \$20 or more	11	12 * Make a deposit for 6/6-6/9	13
14	15 ** make a deposit for May if under the monthly deposit rule	16	17 * Make a deposit for 6/10-6/12	18	19 * Make a deposit for 6/13-6/16	20
21	22	23	24 * Make a deposit for 6/17-6/19	25	26 * Make a deposit for 6/20-6/23	27
28	29	30 <i>File Form 730 for wagers received during May</i>				

* = 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

April 30th

- > File Form 730 and pay the tax on applicable wagers accepted during March.
- > File Form 941 for the 1st quarter of 2009. If all deposits paid on time and in full, file by May 11th.

June 1st

- > 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.

Form 11-C
due
July 1st

July 1st

- > File Form 11-C to register and pay the annual tax if you are in the business of taking wagers.
- > Remind Pull-tab sellers that they also have to file Form 11-C to register and pay this annual tax as "agents".