



ITG News

Keeping First Nations Informed



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Message From The Director

We recently released our Work Plan for Fiscal Year 2005, and posted a copy to our web site at www.irs.gov/tribes. We have shared the Work Plan each year, in order to provide our customers with information on where we will be focusing added attention during the current year. This includes emphasis we will place on certain issues, and added efforts we will undertake in education and examinations.

I am often asked how we determine the areas where we will place added focus. This is a complex process that involves considerable judgment, but much of the information required to make those determinations are based on a combination of customer feedback in our annual survey, changing demographic and economic trends within Indian country, and fairness. This latter factor, fairness, is often misunderstood, but principally involves our need to ensure that all Tribes are treated equally with other types of governmental entities, as well as with each other.

For the current fiscal year, we will be placing added emphasis on the issues associated with tribal gaming. This includes adherence with Title 31 requirements (anti money laundering statutes), tip income reporting compliance, and information reporting in the areas of gaming payouts to patrons and expenditure of gaming proceeds by the Tribe. Our work will include a combination of enhanced outreach, as well as focused Compliance Checks and examinations.

The emphasis placed on gaming issues does not mean that we will ignore other issues and needs. We recognize that many Tribes do not have gaming, and that those who do have gaming also have numerous other tribal enterprises and tax issues. We will continue to address those issues and needs.

As always, I am available to discuss any concerns you may have that cannot be resolved with my local staff. I can be reached at 202-283-9800.

Christie Jacobs



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IRS Tribal Consultation Policy Update

In April 2003 we embarked upon a journey to develop an IRS Tribal Consultation Policy in conformance with the requirements of Executive Order 13175. We held 12 regional listening meetings, utilized a joint IRS Tribal drafting committee, and recently solicited feedback from tribal leaders on a draft policy that was developed through these efforts.

We are now in the final stages, and expect to have a policy published in the Federal Register in the near future. While we recognize that the final policy cannot satisfy everyone's interests, we are confident that the process we employed have maximized the opportunity for input, and will provide Tribes the communication mechanisms to be able to raise issues of interest to them at any time.

We wish to thank everyone who participated in the listening meetings, provided suggestions and feedback, and helped to create the draft policy. This effort has truly been an example of the effective exercise of government-to-government relations.

Customer Satisfaction Survey Results

The office of Indian Tribal Governments recently completed its second annual Customer Satisfaction survey. We received responses from 195 Tribes, an increase of 43% from the 2003 survey. Our appreciation to everyone who took time to provide us with valuable feedback on our operations. A report on the results of the survey is posted to our Internet site at www.irs.gov/tribes.

In general, overall satisfaction rose from 68% to 70%, while dissatisfaction dropped from 10% to 3%. While these results indicate improvements have been made, the survey also showed several areas where we need to place added efforts.

One of those areas involves the clarity of our forms and publications. We have already started work to improve Publication 4268, our on-line Employment Tax Desk Guide for Tribal Governments. We are also involved in a redesign of Form 941, the Employer's Quarterly Federal Tax Return, in the hope that we can streamline the form and improve its design. Since that form involves all employers, and the Social Security Administration, the revision process will be lengthy and a new form may not be implemented for some time.

Another area for improvement is our need to ensure fairness in addressing issues with Tribes, in other words, to take actions that reassure Tribes that we are addressing similar issues with ALL Tribes at approximately the same time. While that has been our objective, we will be redoubling our efforts to ensure equity exists.

Although the Customer Satisfaction Survey is done on an annual basis, we welcome your feedback at anytime. Comments and/or suggestions can be submitted to us at tege.ask.itg@irs.gov.

TRIBAL LEADERS

Don't leave Federal dollars on the table

Help working Native families claim the Earned Income Tax Credit (EITC)!

Every year, millions of EITC dollars go unclaimed in Native communities. Families may qualify for refunds from \$390 to \$4,300 in the 2004 tax year, depending on their amount of earned income and number of qualifying children. You can help members of your community claim the EITC refund through their income tax returns.



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Launch an EITC Outreach Campaign

Download free resources at www.eitc.info/native to help get the word out to eligible families who are not currently claiming the EITC. You can organize a local coalition to:

- Run public service announcements and articles in local newspapers
- Include an EITC notice in employees' paychecks and W-2 statements
- Distribute flyers through housing and other service providers

Publicize Free Tax Preparation Sites

Help consumers find free tax preparation sites to maximize their refund value. Obtain Volunteer Income Tax Assistance (VITA) locations near your community by calling 1-800-829-1040. Or e-mail the county and state of desired locations to donna.lancaster@irs.gov. Please contact sites directly to confirm operation hours and assistor availability.

Host EITC Workshops

Educate consumers about the EITC by recruiting financial education providers in your community to conduct workshops using a new workbook called *Building Native Communities: A Guide to Claiming the EITC* produced by First Nations Development Institute and the Annie E. Casey Foundation. For free copies, contact First Nations at 540-371-5615 or info@firstnations.org or visit www.firstnations.org



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Casino Technology Advances Must Meet Anti-Money Laundering Statute Requirements

Technological advances continue in the gaming industry – new types of electronic games, improved player tracking systems, automated payout and reporting systems, and improved security and surveillance systems. All of these advances can improve operations. However, it is important to ensure that these advances do not bring risk to the casino operation, specifically that the changes they entail do not result in lapses in adherence to information reporting requirements and the anti-money laundering statutes under Title 31 of the U.S. Code.

One of the advances that is gaining momentum within tribal casinos is the installation of slot machines that issue “paper payouts”. Instead of cash or tokens being generated from the slots, a coded piece of paper denoting the amount of the win is issued by the machine. In some cases the patron can insert the ticket into a similar machine and credits totaling the amount of the ticket will register, enabling the player to continue gaming. The patron may also “cash” the ticket. In the past, a cash payout has normally been handled at the cage. However, we have observed that several casinos are installing machines that hold a considerable amount of cash, and that have the capability of cashing out the ticket.

The casino may have control in programming the amount that the machine can pay out, but there is often no ability to record the identification of the person conducting the transaction. As a result, the casino may be at risk of violating requirements of Title 31, the Bank Secrecy Act, if there is no way to keep track of how much money an individual patron may secure from these machines in a gaming day. The transactions that would normally be shown on the Multiple Transaction Log maintained at the cage would not be recorded. If a patron had won multiple slot jackpots in which a Form W-2G was not required, then cashed out credits that had accumulated, no aggregation would be done, and it is likely that the requirement to prepare a CTR-C could go undetected if the total wins in a gaming day were over \$10,000. Several casinos have addressed this area by ensuring that the machines have a pre-determined limit on the amount that can be independently transacted by the customer. That additional step can help ensure that Title 31 requirements can be met if the limit is properly set. A common limit appears to be \$3000. Any payout in excess of that amount requires the involvement of a floor employee who can then secure the information required for Title 31 purposes.

Casinos have the responsibility of making sure that Title 31 rules and regulations are met. Automated cash-out machines that are not capable of controlling large transactions by an individual may jeopardize the effectiveness of the casino's Title 31 program, and may place the casino at risk in the event of an examination. When installing new technology such as this, the casino needs to ensure that the equipment has the capability of fully addressing all of the processes that were performed by cage and floor personnel, and in this case, has safeguards that ensure anti-money laundering statute requirements are met.

Abusive Schemes

We continue to work with Tribes in identifying and addressing schemes that are surfacing in Indian country. If someone approaches you with a deal that seems “too good to be true”, or if you find evidence of abuses of tribal finances by former employees or consultants, please contact us via e-mail at tege.schemes.itg@irs.gov. We want to partner with Tribes to prevent abuses, and protect tribal resources and the interests of tribal members.



ON-LINE FORM W-2

Do you wait until the last minute to file your paper Forms W-2 with Social Security? Do you use a typewriter or maybe even a pen to complete the forms? Are you tired of the paper that inundates your desk every January? Well, you are not alone.

Over the years, Social Security has implemented improvements to the paper filing process; e.g., scanners, laser printed forms, etc. But those solutions do not reduce the paperwork burden or costs to businesses and taxpayers.

That is why Social Security created an electronic filing option specifically for the paper filer. It's called W-2 Online and it was designed for the small employer who may have limited computer skills. It's a fast, secure alternative to all those paper forms. All you need is a computer with Internet access, Adobe Acrobat Reader software (available free from the Adobe Systems Web site), and a printer.

Here's a brief snapshot of how it works. First, you'll need to register with Social Security for a PIN and password at web site www.ssa.gov/bsowelcome.htm. Next, you can log on to the Businesses Services Online Web site and fill in up to 20 Forms W-2 on your computer screen. Social Security will prepare the transmittal Form W-3 for you — calculated from your W-2s. Third, review the information and print copies for your employees and your records. And finally, with one click you can submit the whole file electronically.

That's all there is to it. And don't worry if you have more than 20 W-2s to file. When you use W-2 Online, you can submit multiple sets of 20.

There are many advantages to filing electronically. For instance:

- You get a later filing deadline (electronic filers have until March 31 to file – a full month later than paper filing)
- You are provided with an electronic receipt that you can print as proof of timely filing
- You can track the status of your W-2 report as it is processed
- And best of all, it's FREE!

Call Social Security's Employer Hotline at 800-772-6270 and ask for a copy of the [Business Services Online Handbook](#). It contains complete step-by-step instructions for getting your PIN and password and using W-2 Online.

TRIBAL EMPLOYMENT TAX DESK GUIDE

The IRS's office of Indian Tribal Government has issued an Employment Tax Desk Guide for Indian Tribal Governments. Publication 4268, revised November 16, 2004, is intended to assist tribal entities meet their federal employment tax responsibilities. The desk guide provides key information and helpful tips for maintaining good records, preparing payroll, and filing and depositing employment taxes. The 129-page document can be downloaded at www.irs.gov/pub/irs-tege/p4268.pdf.



Helpful Hints When You are Notified of Missing or Incorrect Name and/or TINs

Follow these steps when you are notified that your information returns (1099s & W-2Gs) contain missing or incorrect taxpayer identification numbers (TINs). This information may help you to correct information return data and show reasonable cause if penalties have been proposed or assessed by the Internal Revenue Service.

1. Comparison of Payee Listing to Your Records:

You must follow different procedures when the information on the listing either **agrees or disagrees** with your business records. Compare the listing with your records and take the following actions:

- If the name/TIN combination on the listing **agrees** with your records, do the required solicitation to obtain the correct information.
- If the name/TIN combination on the listing **disagrees** with your records, you are **not required** to do a solicitation. However, you must determine if:
 - **TYPOGRAPHICAL ERROR** -- You made an error in the name/TIN combination when filing the information return. If you did, you must correct your database records and include the correct name/TIN combination on any future information returns you file.
 - **DATABASE SUBSEQUENTLY UPDATED** -- The name/TIN combination was updated in your records after you filed the information return. If it was, include the correct name/TIN combination on any future returns you file.
 - **IRS KEYPUNCH ERROR** -- The IRS incorrectly read the information during processing. If we did, you should notate your records and not take any further action.

2. Solicitation:

The business (payer) must make a solicitation of the payee requesting their correct name and/or TIN be provided. Update your databases when information is received from solicitation responses. Keep undeliverable and documentation of "no response" solicitation notices with your records.


With regards to the **Form 1099**, mail the "B" Notice as instructed by Publication 1679, [A Guide to Backup Withholding for Missing & Incorrect Names/TINs](#), or Publication 1281, [Backup Withholding for Missing and Incorrect Name/TINs \(including Instructions for Reading Tape Cartridges\)](#).

For **Form W-2G**, you may do solicitations by mail or by phone per Publication 1586, [Reasonable Cause Regulations and Requirements for Missing and Incorrect Name/TINs \(including instructions for reading magnetic tape\)](#).

NOTE: FOR FORMS W-2G, YOU ARE REQUIRED TO SEND AN ANNUAL SOLICITATION AT THE TIME YOU WERE NOTIFIED BY THE IRS, IF YOU PAID THE SAME RECIPIENT IN THE YEAR YOU WERE NOTIFIED OF THE MISSING AND/OR INCORRECT TIN.

If you decide to do the **annual solicitation by mail**, you must send three items to the payee:

- a letter stating that he or she must provide his or her TIN and that failure to do so may result in a \$50 penalty,
- Form W-9 (or a substitute as long as it is substantially similar to Form W-9), and
- a return envelope which may be, but is not required to be, postage prepaid.



You may do the **annual solicitation by telephone** if your solicitation procedure is designed and carried out in a way that is conducive to getting the payee's TIN. You may conduct a telephone solicitation if you:

- call each payee with a missing or incorrect name/TIN combination and speak to an adult member of the household, or to an officer of the business or the organization,
- request the payee's TIN,
- inform the payee that he or she is subject to a \$50 penalty if the TIN is not provided,
- keep records showing that the solicitation was properly made and
- provide your records to the IRS if you are asked.

NOTE: After you receive the correct TIN and/or name, you will need to file a corrected 1099 or W-2G. When making a correction, refer to "Filing Corrected Returns on Paper Forms" on page GEN-12 of the 2004 General Instructions for Forms 1099, 1098, 5498, and W-2G.

3. Reasonable Cause:

The penalty for filing information returns with missing TINs or incorrect name/TIN combinations may be waived if you show that the failure was due to reasonable cause and not to willful neglect. To get a waiver, you must be able to demonstrate that you acted in a **responsible manner both before and after** the failure occurred **and** establish that:

- there were significant mitigating factors (for example, you have an established history of filing information returns with correct TINs), **or**
- the failure was due to events beyond your control (for example, a payee did not provide you with a correct name/TIN in response to your request for it).

Acting in a responsible manner means you must make an initial solicitation and, if required, an annual solicitation for the payee's correct name and TIN. When you receive this information, you must update your records and use this data on any future information returns you file. Letters requesting abatement or waiver of penalties should provide detailed explanations of your procedures for securing payee data both before and after the IRS's notification of mismatched information.



TAXPAYER IDENTIFICATION NUMBER (TIN) MATCHING

Wouldn't it be wonderful if the payee names matched the taxpayer identification numbers (SSN/EIN) on your information returns? There is now a **new form of online assistance** available through the IRS that may help to eliminate future mismatches of TIN and payee name data.

TIN Matching is part of a group of Internet based pre-filing e-services that allows "authorized payors" the opportunity to match 1099 payee information against IRS records prior to filing information returns. An authorized payor is one who has filed information returns within the IRS in at least one of the two past tax years. Interactive **TIN Matching** will accept up to 25 payee TIN/Name combinations on screen while **Bulk TIN Matching** will allow up to 100,000 payee TIN/Name combinations to be matched via a text file submission.

Both programs will:

- Match the payee W-9 name and TIN with IRS records
- Decrease backup withholding and penalty notices
- Reduce the error rate in TIN validation

The TIN Matching System is accessible 24 hours a day, 7 days a week. Support services include an online tutorial to assist customers with the registration, application and TIN matching process. E-services customer assistants are also available toll-free at **1-866-255-0654**, 8:30 a.m. to 7:00 p.m., EST, Monday through Friday.

Register today by accessing the **Taxpayer Identification Number (TIN) Matching link** on our ITG home page at www.irs.gov/tribes or by accessing www.irs.gov and using the key words, "**TIN Matching**". Follow the links to the "**e-services**" and "**Registration Services**" pages to electronically enroll.



Federal Tax Calendar for First Quarter 2005

January 2005

SUN	MON	TUE	WED	THU	FRI	SAT
						1
2	3 * Make a deposit 12/25-12/28 Stop advance pay- ments of EITC for any employee not filing a new Form W-5	4	5 * Make a deposit for 12/29-12/31	6	7 * Make a deposit for 1/1-1/4	8
9	10 Employees report December tip income to employers if \$20 or more	11	12 * Make a deposit for 1/5-1/7	13	14 * Make a deposit for 1/8-1/11	15
16	17	18 ** Make a deposit for December if under the monthly deposit rule	19	20	21 * Make a deposit for 1/12-1/14	22
23	24 * Make a deposit for 1/15-1/18	25	26 * Make a deposit for 1/19-1/21	27	28 * Make a deposit for 1/22-1/25	29
30	31) Give employees cop- ies of their Forms W- 2 for 2004, and give annual information statements (Forms	1099, 1098, 5498, and W-2G) to all recipients of reportable payments				

February 2005

SUN	MON	TUE	WED	THU	FRI	SAT
		1	2 * Make a deposit for 1/26-1/28	3	4 * Make a deposit for 1/29-2/1	5
6	7	8	9 * Make a deposit for 2/2-2/4	10 Employees report January tip income to employers if \$20 or more	11 * Make a deposit for 2/5-2/8	12
13	14	15 ** Make a deposit for January if under the monthly deposit rule	16 * Make a deposit for 2/9-2/11	17	18 * Make a deposit for 2/12-2/15	19
20	21	22	23	24 * Make a deposit for 2/16-2/18	25 * Make a deposit for 2/19-2/22	26
27	28					

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

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

NOTE: Deposits made through EFTPS are due one day prior to the dates listed.

March 2005

SUN	MON	TUE	WED	THU	FRI	SAT
		1	2 * Make a deposit for 2/23-2/25	3	4 * Make a deposit for 2/26-3/1	5
6	7	8	9 * Make a deposit for 3/2-3/4	10 Employees report February tip income to employers if \$20 or more	11 * Make a deposit for 3/5-3/8	12
13	14	15 ** Make a deposit for February if under the monthly deposit rule	16 * Make a deposit for 3/9-3/11	17	18 * Make a deposit for 3/12-3/15	19
20	21	22	23 * Make a deposit for 3/16-3/18	24	25 * Make a deposit for 3/19-3/22	26
27	28	29	30 * Make a deposit for 3/23-3/25	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 are due one day prior to the dates listed.

Return Filing Dates

January 31st

- > File Form 941 for the 4th quarter of 2004. If all deposits paid on time and in full, file by February 10th.
- > File Form 940 for 2004 if liable for Federal Unemployment Tax (not participating or current with state unemployment tax). If all deposits paid on time and in full, file by February 10th.
- > File Form 730 and pay the tax on applicable wagers accepted during December.
- > File Form 945 for 2004. If all deposits paid on time and in full, file by February 10th.
- > File Form 943 for 2004 (agricultural entities). If all deposits paid on time and in full, file by February 10th.

February 28th

- > File information returns for all payments reported to recipients on Forms 1099, 1098, 5498, and W-2G, using Form 1096 as a transmittal. If filing these forms electronically, file by March 31st.
- > File Form W-3, along with copy A of Forms W-2 you issued for 2004. File by March 31st if filing electronically.
- > File Form 730 and pay the tax on applicable wagers accepted during January.
- > File Form 8027 if you are a large food and beverage establishment. File by March 31st if filing electronically.

March 31st

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