

ITG News

Indian Tribal
Governments



Keeping First Nations Informed

July 2008

Publication 4267G

Catalog Number 37844Q

Western Edition

Message from the Director

As we begin the final quarter of the federal government's 2008 fiscal year, our office is undertaking our annual Customer Satisfaction Survey. This will be our sixth year for the survey, which is a valuable tool that helps us better understand the federal tax administration needs of Indian tribal governments.

I want to take this opportunity to communicate how strongly I feel about the survey, and how important the results are in the formulation of future activities. In each of the prior 5 years, we have convened a team to analyze the feedback. We have developed specific actions to address the concerns raised, and we have reinforced existing actions where the respondents indicated a high level of satisfaction. While we always seek opportunities for improvement, we also recognize that we need to maintain those areas that appear to be working well.

We have posted the results of the survey to the ITG web site at www.irs.gov/tribes each year, and we have used ITG News as the mechanism to share the changes we have implemented based on survey feedback. One of the major issues surfaced last year was a need for improved federal tax information for tribal members. While their tax issues are the purview of other IRS operating divisions, we are taking specific steps to assist in this area, including the creation and issuance of a primer on Individual Indian Issues which was sent to each tribe via CD-Rom. We also distributed flyers, envelope stuffers, posters, and Public Service Announcements on the Economic Stimulus payments. We are currently working to get improved information on tribal member tax issues to the VITA sites that service tribal areas.

The 2008 Customer Satisfaction Survey is currently in the mail to each tribe. I urge you to complete it and return it in the postpaid envelope as soon as possible. All responses are anonymous unless you choose to identify yourself, but your feedback is invaluable to us. As always, we will publish a summary of the results, as well as a listing of activities we will undertake to further improve our performance. I want to thank everyone in advance for their participation in this vital process.

Christie Jacobs



*...your feedback is
invaluable to us.....*

IN THIS ISSUE

Message from the Director	1
Consultation Procedures	2
Deterring Theft of Tribal Funds	3
New FinCEN Form 103 Filing Specifications Issued/Correction Notice for October, 2007 article	4
Viejas Enterprises Receives Fit Business Award	5/6
Economic Stimulus Payments	7
Non-gaming Distributions	8/9
Tax Calendar for the 3rd Quarter 2008	10/11



Consultation Procedures

As most everyone is aware, federal agencies are required to consult with tribes on issues that primarily affect them. In order to ensure that the IRS is in conformance with this requirement, we have developed procedures that spell out how we will implement the requirement. This was done with substantial input of tribal representatives, and has a two-pronged approach.

First, we have open “listening meetings” four times per year, on a rotating basis throughout each of the regions of the Bureau of Indian Affairs. These meetings are advertised via ITG News, as the headline on the ITG Internet page at www.irs.gov/tribes, and via a direct mailing to each tribal leader in the area where a meeting is scheduled. These meetings represent an opportunity for the IRS to share information on current and pending events, but more importantly are a venue for tribes to raise their questions, concerns, and suggestions. Our next scheduled meeting is planned for Billings, Montana on August 14th between 1:00 and 4:00pm.

The second component of our Consultation procedures involves the opportunity for tribes to request ad hoc discussions with the IRS on any specific issue that they wish to raise. This can be done via a telephone call to ITG Director Christie Jacobs at 202-283-9800, or via an e-mail link on the Consultation web page at www.irs.gov/tribes.

To date, we have met with over 250 tribal representatives through these procedures, and the feedback has been invaluable. Please watch future editions of ITG News, as well as the ITG web site, for information on future meetings.

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, or you can make an inquiry about the program via e-mail to tege.itg.tefac@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.



Deterring Theft of Tribal Funds

As tribal economies continue to evolve and expand, many tribes are involved in multi-million dollar projects. These projects are very diverse, and range from construction of new gaming facilities, to formation of manufacturing entities, to development of wind energy farms. As we visit tribal homelands, it is always encouraging to see development, and listen to the hope it brings to tribal members.

At the same time, these economic projects bring great risk to the tribe as well. All ventures carry the inherent risk that the return on the investment may not be as high as projected, or that external factors may adversely affect the marketplace after the development is completed. Of equal importance is the risk to tribal finances that can occur during the project development process, or through contracting for operation of the development once it is functioning.

We recently completed action on a case where several individuals diverted loan proceeds which the tribe had borrowed to aid in a casino development project. Since the overall project required the tribe to borrow in excess of \$10 million, the \$300,000 diverted by these individuals was not immediately noticed. The three perpetrators used the money for personal purposes, while the tribe repaid the debt as part of its overall loan obligation without realizing that they had lost the use of the money.

When adequate internal controls are lacking, it becomes too easy for an unscrupulous individual to divert tribal funds for an unintended use. The scheme can be covered up through mechanisms such as false invoicing – billing for services never performed, ghost employees – payroll checks to fictitious individuals, or petty cash fund payments for goods never actually acquired. There are any number of ways someone can cover their tracks by creating false records, which appear credible at first glance.

In the end, the lack of adequate internal controls always costs a tribe money, and funds that should be used for programs for tribal members end up personally benefiting someone who has found a loophole in the system.

How do you prevent this? First, tribes need to ensure that they have in-depth internal controls, so that no one individual controls both the receipt and expenditure of money. Second, annual audits are essential, both to identify problems, and to ensure potential perpetrators are aware that records will be reviewed. Last, when you uncover misuse of tribal funds for someone's personal gain, contact ITG so that we can pursue the tax consequences to the individual. Deterring individuals from attempting to personally gain at the expense of the tribe starts with having procedures in place to increase the likelihood they may be caught, and ends with a commitment that the tribe will do whatever it can to ensure the perpetrator pays for their illicit gain.

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



Viejas Enterprises Receives Fit Business Award

Viejas Enterprises has been recognized as a 2007 California "Fit Business" for its efforts to promote employee healthy eating habits and physical activity within the workplace. The "Fit Business" award, launched in 2003, honors California companies that demonstrate a commitment to a healthy workplace for employees, and a dedication to exercise and good nutrition, serving as a role model in the corporate community. Viejas is being recognized for its continuous efforts to implement a healthier work environment by offering health and wellness options for all employees, such as work-out programs, diet classes, counseling, weight-loss challenges and healthy food options.

The California Fit Business Award is coordinated by the California Task Force on Youth and Workplace Wellness and the California Department of Health Services. Over 50 companies statewide have applied for this award, and selected winners are chosen based on their seriousness toward promoting a healthier workplace, the quality of their policies, and the actual impact their efforts created.

Between August and December 2007, Viejas Casino promoted a five-month weight loss contest. Teams of five employees each participated in mandatory weigh-ins twice a month. At the end of the five-month challenge, "The Badd Dawgs" team was recognized as the winning group with the biggest percentage of weight loss. "The Badd Dawgs" received a \$2,500 grand prize to celebrate their victory of losing 208 pounds (17.7% of their total body weight). Another team's member, Rommel Peralta, won the individual prize for the largest weight loss of 67 pounds (27.8% of his body weight). Rommel Peralta won the Biggest Loser Award of \$500.00.

This is team Badd Dawgs story: On August 1, 2007, Viejas Casino launched a group weight loss challenge that changed the lives of five individuals. Rachel Scott (team captain), Angela Thornton, Katrina Woodson, Adam Zeiss and Cheryl Cooper formed the team called "The Badd Dawgs". They didn't know what to expect or how they were going to lose the weight. They just thought it would be fun and good motivation to finally lose those unwanted pounds.

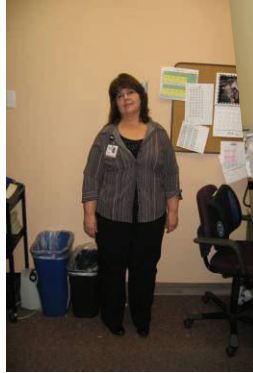
The first month was focused on their diets and how they were going to lose the weight. In the second month, they joined 24-Hour Fitness and worked out as a team 2 – 3 times a week. They also shared food, cooking and exercising secrets with each other and even with other competing team members. Their daily goals were to keep calories under 1300 per day and their fat grams under 30 grams. The team encouraged each other on a daily basis. Team Captain Rachel Scott, aka Captain Spaniel, had her husband make a "bone trophy" for the individual on her team who lost the most at any given weigh-in. The trophy was proudly displayed on the winner's desk.

At the final weigh-in held January 7, 2008, Rachel had lost 56 lbs, Angela lost 45 lbs, Katrina lost 35 lbs, Adam lost 28 lbs, and Cheryl lost 44 lbs. Viejas Casino is starting another group weight loss challenge on April 1, 2008, and "The Badd Dawgs" look forward to continuing in their success. Here are before and after pictures of Rommel Peralta and the Badd Dawgs team:

Continued on page 6...



Continued from page 5...



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.

Tax News For You!

Individual Tribal Member Information

IRS Wants Retirees and Disabled Veterans to File for Their Economic Stimulus Payments

The IRS announced a new summer campaign to reach those retirees and disabled veterans who qualify for the economic stimulus payment but have not filed to claim it. New statistics released indicate about 74 percent in this group are accounted for in the stimulus payments currently being sent, leaving about 5.2 million potential recipients remaining.

Later this summer, the IRS will send these potential recipients a special letter that explains stimulus payment eligibility and how to claim it. The letter will include a sample tax form and an actual tax form that people can complete and mail to the IRS. This will be the second special mailing to reach those individuals.

The Economic Stimulus Act of 2008 provides for people who have no tax liability or no tax filing requirement, there is a minimum payment of \$300 (\$600 for married couples), plus the \$300 for each qualifying child. To be eligible for the minimum payment, individuals must have at least \$3,000 in qualifying income. Qualifying income includes any combination of earned income, nontaxable combat pay and certain benefit payments from Social Security, Veterans Affairs and Railroad Retirement. The types of Social Security benefits that are considered qualifying income include retirement, disability and survivor payments. Supplemental Security Income (SSI) is not qualifying income. The types of Veterans Affairs benefits that are considered qualifying income include disability compensation, disability pension and survivor payments. Qualifying Railroad Retirement payments include the social security equivalent portion of Tier 1 benefits.

Don't be left out. With qualifying income, be sure to file a tax return by October 15, 2008 to receive the economic stimulus payments. For additional information, go to www.irs.gov.



Non-gaming Distributions

We as ITG Specialists receive a lot of questions about non-gaming distributions. Examples of non-gaming distributions are, but not limited to: Revenue Sharing Trust Fund in California, income from tribal farming, rental, smoke shop, and interest earned from water settlement or land settlement, and etc. Distribution of Revenue Sharing Trust Fund is applicable to the California tribes. Here, we will use interest income distributions from the land settlement, and it will be applicable to other non-gaming distributions too. Common questions are:

1. Why will we be taxed on the distribution and how much?

You are receiving the distribution from the income earned from interest. Therefore, it is taxable. How much will be taxed for each tribal member is different. It is based on each individual's income level. The following example explains how much will be taxed. These examples are based on **2007 tax computation**:

- i) Single, uses STANDARD DEDUCTION, and only income is the Per Capita distribution of \$10,000.00:

Adjusted Gross Income:	\$10,000.00
Less: Standard Deduction (Single)	(5,350.00)
Exemption (1)	(3,400.00)

Taxable Income	\$ 1,250.00
	=====

Tax is \$126.00 (from 2007 1040 Instruction).

- ii) Married filing jointly (2 exemptions and both are born after 1/02/1943), use Standard deduction, and only income is the Per Capita distribution of \$10,000.00. Only wife is the tribal member:

Adjusted Gross Income:	\$10,000.00
Less: Standard Deduction (MFJ)	(10,700.00)
Exemption (2)	(6,800.00)

Taxable Income	\$ 0.00
	=====

Tax is \$0.

They do NOT pay any federal income taxes, but I recommend they file the federal income tax return showing that they reported Per Capita distribution as income on their tax return.

When the tribe files Form 1099-Misc. for the tribal members to IRS, IRS matches it to the individual's federal income tax return. If the individual did NOT file the tax return showing that on his or her tax return, IRS may contact you.

- iii) Married filing jointly (2 exemptions and both are born after 1/02/1943), use Standard deduction, both are tribal members and received Per Capita distribution, and husband worked and earned \$30,000 in wages:

Continued on page 8...

Continued from page 7...

Per Capita distribution (2 X \$10,000.00)	\$20,000.00
Husband's wages	30,000.00

Adjusted Gross Income	\$50,000.00
Less: Standard Deduction (MFJ)	(10,700.00)
Exemption (2)	(6,800.00)

Taxable Income	\$32,500.00
=====	
Tax is \$4,096.00 (from 2007 1040 Instruction)	

2. If this is somewhat related to a land settlement, why are we being taxed?

You are receiving distribution from the interest earned and not the principal. Interest earned on land settlement amounts is not exempt from tax.

3. When an individual receives their distribution payment, will taxes be withheld prior to disbursement?

For this type of Per Capita distribution, it is not required to withhold federal income taxes, but it might be a good idea to withhold federal income taxes for the tribal member's benefit.

We have seen so many times that when the tribal members receive the Per Capita payment, they don't think about federal income tax withholding. They spend that money for whatever they want. When they need to file their federal income tax returns, they owe a lot of money, but they do not have money pay it.

The tribe could set it up to withhold federal income taxes and rates could be a percentage or set dollar amount. Whatever the tribe decides to do.

4. Can an individual "rollover" these amounts directly to An IRA?

The answer is "no" unless the person has other income that is "earned income". These amounts are not "earned income" so by themselves they do not make the person eligible for an IRA. If the person does have other earned income, then that person would be able to invest in an IRA using these funds.

5. Will elders have to pay taxes on their distribution?

It all depends on their income level (please see answer to question # 1b. They apply the same income tax rule as for any other people. If they are over a certain age (65 years and older), they might qualify for the higher standard deduction amount which would lessen their overall tax amount.

6. If the elders are taxed? How would receipt of their distribution affect current existing federal benefits, social supplemental income, e.g. food stamps, Medicare, Medicaid, commodities, and Social Security?

It may affect your current welfare benefit. Please consult with your caseworker.

7. Can a tribal member name a non-tribal beneficiary, and what tax obligations is the beneficiary responsible for?

A person who receives the Per Capita distribution pays the tax. Your tribe will issue Form 1099-Misc. to the person who receives the Per Capita distribution.



Federal Tax Calendar for Third Quarter 2008

July 2008

Sun	Mon	Tue	Wed	Thu	Fri	Sat
		1 <i>File Form 11-C for the annual Occupational tax</i>	2 * make a deposit for 6/25-6/27	3	4	5
6	7 * make a deposit for 6/28-7/1	8	9 * make a deposit for 7/2-7/4	10 Employees report June tip income to employers if \$20 or more	11 * make a deposit for 7/5-7/8	12
13	14	15 ** make a deposit for June if under the monthly deposit rule	16 * make a deposit for 7/9-7/11	17	18 * make a deposit for 7/12-7/15	19
20	21	22	23 * make a deposit for 7/16-7/18	24	25 * make a deposit for 7/19-7/22	26
27	28	29	30 * make a deposit for 7/23-7/25	31 <i>File Form 730 for wagers received during June</i> <i>File Form 941 the 2nd calendar quarter of 2008</i>		

August 2008

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

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



September 2008

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

File Form 730 for wagers received during July

File Form 730 for wagers received during August

* = 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

July 1st
 > File Form 11-C to register and pay the annual tax if you are in the business of taking wagers

July 31st
 > File Form 941 for the 2nd quarter of 2007. If all deposits paid on time and in full, file by August 11th.
 > File Form 730 and pay the tax on applicable wagers accepted during June.

September 2nd
 > File Form 730 and pay the tax on applicable wagers accepted during July.

September 30th
 > File Form 730 and pay the tax on applicable wagers accepted during August.