



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 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 has 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 on 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.

Contacting Us

In response to your feedback, we want to make it easier for you to contact us.

You can contact **Judy Pearson**, our Indian Tribal Governments Specialist in **Alaska**, by calling her **toll-free pager** at **1-888-733-6502** and leaving a callback telephone number.

Judy will return your call as soon as possible.

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



The Annie E. Casey Foundation
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Form 1099-MISC: Reporting Payments to Nonemployees

If a worker is not your employee, you are not liable for filing Form W-2 or any employment tax returns with respect to that payee. However, in most cases, you are required to issue and file information returns, such as **Form 1099-MISC**, *Miscellaneous Income*, for amounts you pay in nonemployee compensation.

What types of payments require me to issue Form 1099-MISC?

You must issue **Form 1099-MISC** for each person to whom you have paid, in the course of tribal government business, at least \$600 as compensation for services. The form is also required to report rents, services, prizes and awards, medical and health care payments, and attorney fees or gross proceeds to an attorney.

You should secure a taxpayer identification number from recipients **prior to** making any reportable payments. You can use **Form W-9**, *Request for Taxpayer Identification Number and Certification*, for this purpose.

To which payees should I issue Form 1099-MISC?

You are required to report payments to individuals, partnerships, estates, trusts, legal and medical service providers.

Are some payees exempt from the reporting requirements?

State, local, and tribal governments are not required to issue Form 1099-MISC for payments to:

- Tax-exempt organizations and governments
- Vendors for merchandise, freight, storage, and similar items (**but payments to vendors for services are reportable**)
- Corporations (**other than** attorney fees, medical and health care payments)
- Rent to real estate agents
- Recipients of scholarships
- Recipients of difficulty-of-care payments

When is Form 1099-MISC due?

Make recipient copy available by January 31st of the year following the payment(s). You must send copies to IRS by February 28th. However, if you file electronically, the due date is March 31st. Penalties apply for late filing.

What if Form 1099-MISC is not issued or is not correct?

You may be subject to penalties for failure to file information returns, or to furnish them to the recipients. Tribal government entities are not exempt from these penalties. In addition, if you fail to obtain a correct taxpayer identification number from the recipient, you will be required to withhold 28% from future payments. If you fail to backup withhold when required, you will be liable for the tax.

Under what circumstances do I issue Form 1099-MISC to an employee?

If someone meets the tests to be your employee, all compensation, benefits, reimbursements, etc., paid in the course of that work should be reported on Form W-2 and are subject to withholding. Only services as an independent contractor that are completely separate from employment would be reported on Form 1099-MISC. All compensation to a worker who is your employee under the common-law rules should be reported on Form W-2.

For full information on filing requirements and deadlines, see the **General Instructions for Forms 1099, 1098, 5498, and W-2G** available at www.irs.gov.

Previous Articles from ITG News

With the beginning of a new year and pending year-end filing requirements, you may want to revisit some of our previous articles. The following articles can be found at www.irs.gov/tribes. Once at our web page, click on "ITG Newsletters" located on the left hand column. On the next screen, select "Alaska" where you will find all of our previous issues. If you do not have Internet access, phone one of the ITG Specialists who can provide you with a copy (see page 6).

<u>Articles in previous issues</u>	<u>Oct-2003</u>	<u>Jan-2004</u>	<u>Apr-2004</u>	<u>Jul-2004</u>	<u>Oct-2004</u>
On-Line Employment Tax Guide		x			
Employee or Independent Contractor				x	
How to Avoid Errors with New Hires			x		
Questionable W-4s					x
The Basics of Federal Tax Deposits		x			
Electronic Federal Tax Payment System					x
EFTPS: FTD Refund Initiative		x			
An Incentive to Join EFTPS				x	
Balancing Forms 941 to Form W-3 Information			x		
Reconciliation Worksheet			x		
SSA and IRS Reconciliation Process			x		
941c Example			x		
Information Reporting of Certain Payments made by Indian Tribal Governments: W-2s for Tribal Council Members and Election Workers	x				
Correcting Forms W-2 and W-3					x
FUTA Refunds (Form 940)	x				
Federal Unemployment Tax (Form 940)		x			
Section 501(c)(4) Entities and FUTA				x	
Pull-Tab Filing Requirements		x			
Receiving a Notice From IRS				x	
Information Reporting for Pow-Wow Prizes				x	
ITG Specialists for the Pacific Northwest	x	x	x	x	x
Meet the Specialists	x				
Update on Consultation Policy	x		x	x	x
Abusive Schemes Update					x
Annual Reporting Requirements under TRDA and GI TCA				x	
Tax Schemes in Indian Country		x			
Tribal Enterprise Structure Issues			x		



ITG Specialists for the Pacific Northwest

Judy Pearson	Anchorage, AK	907-271-6949	Judy.M.Pearson@irs.gov
Carol Czolowski	Ogden, UT	801-620-5048	Carol.A.Czolowski@irs.gov
Connie Perkins	Salem, OR	503-399-5623 ext. 251	Connie.K.Perkins@irs.gov
John Mandeville	Spokane, WA	509-353-0807	John.M.Mandeville@irs.gov
Bill Barker	Spokane, WA	509-353-0825	William.J.Barker@irs.gov
Michael Fehrenbacher	Vancouver, WA	360-696-7643 ext. 227	Michael.Fehrenbacher@irs.gov
Steve Bowers, Mgr	Santa Ana, CA	714-347-9430	Steve.D.Bowers@irs.gov

Change in Manager

After five years of outstanding contribution to the Office of Indian Tribal Governments (ITG), Debra Thompson has been promoted to Territory Manager in another operating division.

Debbie's commitment to customer service helped to develop strong relationships with ITG customers in the Pacific Northwest and Alaska, and we are committed to seeing them continue as Steve Bowers takes the reins as Acting Manager.

Steve has been a member of ITG since inception and is the manager for the Southwest area. He is eager to take on this additional responsibility for the Pacific Northwest and Alaska and looks forward to dealing with this exciting new customer base. Steve can be reached at 714-347-9430.

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.

Federal Tax Calendar for First Quarter 2005

January 2005

SUN	MON	TUE	WED	THU	FRI	SAT
						1
2	3 * Make a deposit for 12/25-12/28 Stop advance payments 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 Federal Holiday Dr. Martin Luther King Jr's Day	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 copies 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.



Year-end Reconciliation Worksheet for Forms 941, W-2, and W-3

- Annual amounts from payroll records should match the total amounts reported on all Forms 941 for the year.
- Total amounts reported on all Forms 941 for the year should match the sum of the same data fields shown in the W-3 totals.
- If these amounts do not match, recheck records and identify necessary adjustments.

column a	column b	column c	column d	column e	column f	column g
COMPARISON AREA	941 Line #	Form 941 (all 4 quarters)	W-2, W-3 Box #	W-2s (total of all forms)	Amount on W-3	Difference (col c minus col e)
Compensation	Line 2		Box 1			
Federal Income Tax	Line 3		Box 2			
Social Security Wages	Line 6a		Box 3			
Social Security Tips	Line 6c		Box 7			
Social Security Tax	Line 6b + 6d					
Social Security Tax comparison computation	Line 6b + 6d divided by 2		Box 4			
Medicare Wages	Line 7a		Box 5			
Medicare Tax	Line 7b					
Medicare Tax comparison computation	Line 7b divided by 2		Box 6			