



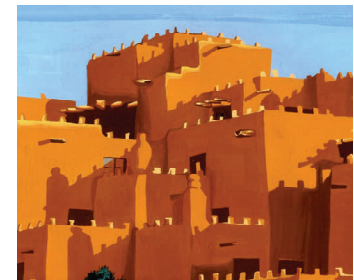
Focus on Form 1042

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](#).

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.



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.



Your Indian Tribal Governments Specialists

Sometimes you just need a little help and other times you need more. ITG has assigned a Specialist to each of the Navajo Nation Agencies and Chapters. The following Specialists are your first-line IRS contacts:

Eastern Agency	Jim Crook Email: Jimmy.C.Crook@IRS.GOV	(505) 837-5613	Fax (505) 837-5654
Northern Agency	Lounette Graham Email: Lounette.L.Graham@IRS.GOV	(505) 837-5536	Fax (505) 837-5654
Western Agency	Theresa Nosie Email: Theresa.S.Nosie@IRS.GOV	(480) 503-7318	Fax (480) 503-7320
Chinle Agency	Aaron Coleman Email: Aaron.H.Coleman@IRS.GOV	(602) 207-8751	Fax (602) 207-8002
Ft. Defiance Agency	Michelle Risk Email: Michelle.L.Risk@IRS.GOV	(520) 205-5022	Fax (520) 670-4661

Feel free to contact any or all of them if you need assistance. If you can't reach any of the Specialists, just call our Manager: Anita Gentry at (505) 837-5573, Fax (505) 837-5654, or Email: Anita.D.Gentry@IRS.GOV.

Self-Assess Your Federal Tax Compliance Risks

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

Information on the program, as well as an on-line request form, is available through the "Enhancing Federal Tax Compliance" link on the right-hand of the ITG web site landing page at www.irs.gov/tribes,

Tax Tools for Tribes

You can order our comprehensive reference CD-ROM containing Publication 4268 (Employment Tax Guide for Tribes), Publication 3908 (Gaming Tax Law for Indian Tribal Government), Publication 15 (Employer's Tax Guide), Publication 15-A (Employer's Supplemental Tax Guide), ITG News issuance for your area for the last 8 quarters, a "primer" for federal tax issues affecting individual Native Americans, and a guide on "Helpful Hints to Avoid Penalties".



Tax News For You! Individual Tribal Member Information

Tax Season is almost over!

Many of us find a real satisfaction in mailing in our completed federal income tax return forms. But what about the individual who has not yet completed their income taxes and experienced the joy of mailing them to IRS? If you do not think you will have your return ready to mail in time, please pay close attention and we will go over the easy methods of asking for more time to **FILE** your income taxes. Remember, this is an extension to **FILE** your taxes. You should still **PAY** your taxes by April 15th to avoid penalties and interest.

FORM 4868, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return.

This is it. The IRS form you need to extend your time to file your income tax. It is a very simple form to fill out. First, you need to get it.

How to Get the Form 4868. The easiest way to get forms is on the Internet. Go to IRS.GOV and it is easy to select the form you want to download. You can order the form by telephone at 1 (800) TAX-FORM (1(800) 829-3676.

When to file. You must request the automatic extension by the due date for your return April 15th. Your return is due on April 15, 2009, with a timely filed extension you will have until October 15, 2009 to file your tax return. You can get an extension of time to file by filing a paper Form 4868. Mail it to the address shown in the form instructions. If you want to make a payment with the form, make your check or money order payable to the "United States Treasury." Write your Social Security Number, daytime phone number, and "2008 Form 4868" on your check or money order.

When you file your tax return. Enter any payment you made related to the extension of time to file on Form 1040, line 67. If you file Form 1040EZ or Form 1040A, include that payment in your total payments on Form 1040EZ, line 10, or Form 1040A, line 43. Also enter "Form 4868" and the amount paid in the space to the left of line 10 or line 43.

.....continued on Page 7



Tax News For You! Individual Tribal Member Information

....continued from page 6

Where to File. It depends on whether you are making a payment or not making a payment with the extension.

WITH a payment:

New Mexico, Colorado and Utah
Internal Revenue Service
P.O Box 7122
San Francisco CA 94120-7122

Arizona
Internal Revenue Service
P.O. Box 802503
Cincinnati OH 45280-2503

WITHOUT a payment:

New Mexico, Colorado, Utah and Arizona
Department of the Treasury
Internal Revenue Service
Fresno CA 93888-0002

As you can see the Form 4868 can help you by giving you an extra six months to file your income tax return. Remember, the form gives you an extension on time to file but NOT an extension on time to pay. If you need any additional help with the extension, please call 1(800) 829-1040 or TELETAX at 1 (800) 829-4477, Topic #304.

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



Employment Tax Corner

There is one constant in Employment Taxes! They always change.

A new Publication 15-T, New Wage Withholding and Advanced Earned Income Credit Payment Tables (For Wages Paid Thru December 2009), is now available on the IRS Web page. The publication contains new tax tables for the Federal Income Tax withholding from our employees' paychecks. The publication was scheduled to be mailed to everyone in mid-March. Did you get yours?

You should start using the new tax tables as soon as you receive them. In most cases, they reduce the amount of taxes withheld. This is a good thing! The reduction of taxes should be about \$400 for an individual and \$800 for married taxpayers.

A new W-4 is NOT required to be completed by employees.

Sign-up For Employment Tax Workshop in Phoenix, AZ Please RSVP no later than May 8, 2009

ITG is committed to providing superior service to all of our tribal customers. As part of this continued customer service, a workshop has been scheduled for:

Dates of the Training: Tuesday and Wednesday, May 19– May 20, 2009

Time of the training is: 8:00am to 4:30pm

Address for the Training: Internal Revenue Service, 210 E. Earll Drive, Room 602, Phoenix, AZ 85012

To register for this class, you just need to submit the following information via E-mail to: Michelle.L.Risk@IRS.GOV. Don't have E-Mail? Use the Fax form on the next page.

- Full name of the person attending the training
- Entity name and business address
- Business telephone number and fax number
- E-mail address

Registration is limited to the first 25 participants, so please e-mail Michelle Risk by May 8, 2009, to register for this workshop. If you are interested in receiving a local presentation for your tribe's employees on employment taxes or any other federal tax related topics, please contact your assigned ITG Specialist or the Group Manager, Anita Gentry. The current Southwest ITG contact information is provided on Page 5.

**FAX TO IRS
Indian Tribal Governments
Basic Employment Tax Workshop
FAX: (520) 670-4661**

To: Michelle Risk

From: _____

Attendee's Name: _____

Business Address: _____
(City, State, Zip)

Work Telephone Number: _____

Work Fax Number: _____

Cell Phone Number: _____

Email: Work: _____

Personal: _____

Job Title: _____

Chapter Name: _____

Agency: _____

Class Date Requesting: _____



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.

11 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".