



# ITG News

Keeping First Nations Informed



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## Message From The Director

Several major indictments have received substantial press in recent months involving alleged criminal activity that infiltrated tribal entities. One investigation involving the Kickapoo Traditional Tribe of Texas resulted in indictments of 7 individuals for conspiracy, theft of tribal funds, and money laundering. Another case resulted in 17 individuals being indicted for race fixing, and money laundering through tribal off-track betting operations.

While these cases are a grave concern for everyone, the alleged crimes are certainly not unique to tribal governments. Unfortunately criminal activity can arise in all types of governments, as well as in the private sector.

Some key actions that might have mitigated the problems identified in these cases include:

- > Strengthening Internal Controls – ensuring that there are adequate checks and balances in place that monitor the receipt, control, and expenditure of funds.
- > Maintaining Tribal Oversight of Gaming – while casino management firms and consultants can bring needed expertise, Tribes need to ensure that they have full oversight of all gaming activities.
- > Looking for Operating Aberrations – as with all entities, tribal enterprises have budgets that include anticipated revenue and expenses by various categories. There are also industry “norms” that can be used to determine whether the enterprise is operating properly. If someone makes a proposal that sounds too good to be true, it probably is – or – if the performance of an enterprise is not aligned with expectations, an analysis of the cause of such aberrations needs to be performed. This includes situations where the performance is better than expected, as well as where it is worse than anticipated.

The office of Indian Tribal Governments will continue to monitor and address potential abuses, since they not only impact federal tax administration, but also risk tribal revenues that are needed to fund programs and services for members. Although these situations are uncomfortable, we commend the tribes for their cooperation in helping to identify and remedy the problems identified to date. We are committed to partnering with tribal authorities to protect tribal assets for the benefit of tribal members. I encourage all of you to surface any concerns you may have to [tege.itg.schemes@irs.gov](mailto:tege.itg.schemes@irs.gov), or by contacting us at 716-686-4860.



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Christie Jacobs



## **New ITG Specialists to be Hired**

Many tribal representatives who attended our Listening meetings in 2003 expressed concern about the Service's long-term commitment to the office of Indian Tribal Governments. As attrition occurred, or new priorities arose, attendees questioned the ability to maintain the staffing required to assist tribes with federal tax administration and money laundering issues.

We are pleased to announce that the FY 2005 IRS budget will allow the office of Indian Tribal Governments to add 13 new staff positions in our field groups. This will not only fully replace all of our attrition losses since our inception, but actually increase our overall staffing by three positions. We are in the process of completing the hiring process, and expect to have the 13 new Specialists selected and fully trained by late summer.

At present, we hope to add staffing in California, Alaska, the Pacific Northwest, Oklahoma, Minnesota, and the Southwest. Tribes should expect that there will be some realignment of assignments, which means that some tribes will have different Specialists assigned to them once we complete the hiring and training process. We will keep everyone informed of any changes as they occur. Although we realize that there may be some discomfort with change, we are excited that the additional staffing will mean an increase in our ability to meet the federal tax administration needs of Tribal governments, and ensure that ability is maintained for the near future.

## **Web Site Redesign Planned**

Our 2004 Customer Satisfaction Survey indicated a need for us to redesign our web site so that important information could be more readily located. We have been working with our web vendor to accomplish that need, and have asked the tribal representatives on the Advisory Committee to the Tax Exempt Government Entities Commissioner to validate our approach.

We believe the new proposed layout will improve the ability of users to navigate and more quickly locate the information they need. We hope to implement the change by May, and welcome any feedback you may have on further enhancements we might make to improve your ability to access information.

### **Publication 4268—Employment Tax Guide for Tribes**

Our on-line Employment Tax Guide continues to receive a very positive response from tribal payroll and finance employees.

You can download this comprehensive guide from a link on our landing page at [www.irs.gov/tribes](http://www.irs.gov/tribes).



## Form 941 Has a New Look

Form 941 (Employer's Quarterly Federal Tax Return) has been redesigned for tax periods beginning after December 31, 2004. The new, two-page Form 941 is easier to understand and follow. The tax information and calculations are basically the same but the line numbers have changed from the previous version.

The Schedule B (Form 941) has also been redesigned. You can access both of these documents and the instructions on the "Forms and Publications" page at [www.irs.gov](http://www.irs.gov). Copies of the form and instructions are also available by calling the IRS at 1-800-829-3676.

## 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](http://www.irs.gov/tribes) or by accessing [www.irs.gov](http://www.irs.gov) and using the key words, "**TIN Matching**". Follow the links to the "**e-services**" and "**Registration Services**" pages to electronically enroll.



## Casino Employees – What Types of ID Can You Accept?

Are you, as an employee, familiar with the minimum internal control standards (MICS) at the casino where you work? If not, you should become familiar with them since your employer may require you to verify identification of customers when completing Form W-2G, *Certain Gambling Winnings*. The casino may be penalized if the customer provides incorrect information.

A casino has a reporting requirement for Title 31 Money and Finance, Part 103, Bank Secrecy Act. The Code of Federal Regulations 31.103.28 states in part, "Before concluding any transaction with respect to which a report is required, ...a financial institution shall verify and record the name and address of the individual... Verification of the identity... shall be made by the examination of a document... that is normally acceptable within the banking community as a means of identification when cashing checks for non-depositors." You **must** terminate a transaction under Title 31 if a customer refuses to present ID.

What forms of valid identification can casino floor personnel rely upon? Valid ID is considered to be any form of government issued identification. Examples of official government issued ID can include by are not limited to:

- Current driver's license
- State issued identification card
- Tribal issued identification card
- Passport
- Alien registration card
- Military identification

Other forms of identification may include a voter's registration card or a social security card.

Is an expired driver's license considered valid ID? In most states an expired driver's license is not a valid form of identification, but if the customer can present an alternate form of ID along with the expired driver's license, then it would be acceptable as a second form of ID.

What if the customer has no identification of any kind? Items that can be used as additional ID could be employment ID, a pay stub that contains name, address and social security number, a photo credit card or player's card (if updated periodically).

A Form W-9, *Request for Taxpayer Identification Number and Certification*, may be used by the casino. The customer completes the Form W-9 testifying that the name and SSN they have provided is correct.

What if someone refuses to produce identification? If the customer provides their name and address but refuses to provide a social security number you should inform them their winnings will be subject to backup withholding. Informing your customer of the requirements of the law increases compliance.



## Reporting Powwow Prizes on the Form 1040

Our July 2004 issue of the ITG Newsletter discussed powwow prizes. All sponsors of powwows are responsible for issuing Form 1099-MISC to powwow contest winners who receive prizes with a fair market value of \$600 or more.

In this issue we will discuss how the prize recipient should claim the income and expenses on their personal income tax return.

The Form 1040 must be filed by the prize recipient to report the income. Where on the Form 1040 the income and expenses are reported depends upon a number of factors that will be addressed later in this article.

For most prize recipients the income will be reported on line 21 of the Form 1040. Form 1040A and 1040 EZ cannot be used to report powwow prizes. In the blank space to the left of the number column write in "powwow prizes". Prize recipients should report all powwow prizes in the same manner, even if the prize was less than \$600 or no Form 1099-MISC was received.

Some dancers that participate in a number of different powwows may consider dancing their hobby. The income is still reported on line 21 of the Form 1040 but "hobby income" would be printed in the blank area to the left of the amount.

These individuals may deduct the expenses associated with their hobby income ***if they are also able to claim itemized deductions***. Hobby expenses are shown on line 22 of the Form 1040 Schedule A. These are considered miscellaneous expenses. All of the miscellaneous expenses are reduced by 2% of the person's adjusted gross income that is shown on line 37 of the Form 1040.

There are a number of people that earn their living on the powwow circuit as dancers, drummers, callers, and announcers. These individuals may report their income as a business or trade. They would file the Schedule C or C-EZ with the Form 1040 to report their gross receipts and expenses. The income and expenses should only be included on the Schedule C when there is **documentation to support them**. The person claiming the business income needs to have other documentation to show how the income was earned if they did not receive a Form 1099-MISC from the powwow sponsor. Some examples of alternate documentation for income are copies of checks received, certificates, and letters of acknowledgement from the powwow sponsor.

*(cont'd on p.6)*

???Questions???

Contact your ITG Specialist, or our toll-free call site at 877-829-5500



(cont'd from p.5)

It is also important to keep records that support expenses such as mileage logs and receipts for supplies.

In addition to Federal income tax, trade or business income is subject to self-employment tax. The tax is computed using the Schedule SE of the Form 1040.

Now you have all of the basic facts to determine where to report the income you earned from participating in a powwow. If you have any other questions regarding self-employment income, hobby

## Revised Form 8300

Form 8300, *Report of Cash Payments Over \$10,000 Received in a Trade or Business*, has been revised (12-2004) and must be used for transactions occurring after December 31, 2004. Do not use the prior version of the form after this date.

Form 8300 is used by businesses that received more than \$10,000 in cash in one transaction or in two or more related transactions. Casinos must file Form 8300 for nongaming activities such as restaurants, shops, hotels, etc. The gaming activities of a casino are reported on the Form 103, *Currency Transaction Report by Casinos*. The revised Form 8300 can be found on the "Forms and Publications" page at [www.irs.gov](http://www.irs.gov) or copies of the form can be requested by calling the IRS at 1-800-829-3676. Questions can be addressed by contacting you local ITG Specialist.

To add your name or e-mail address to our mailing list, please contact us via e-mail at [Jeff.R.Clairmont@irs.gov](mailto:Jeff.R.Clairmont@irs.gov), or call Jeff Clairmont at (406)752-6149 ext 24

# Federal Tax Calendar for Second Quarter 2005

## April 2005

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

## May 2005

SUN	MON	TUE	WED	THU	FRI	SAT
1	2 Deposit FUTA taxes due through March if greater than \$100 and subject to FUTA	3	4 * Make a deposit for 4/27-4/29	5	6 * Make a deposit for 4/30-5/3	7
8	9	10 Employees report April tip income to employers if \$20 or more	11 * Make a deposit for 5/4-5/6	12	13 * Make a deposit for 5/7-5/10	14
15	16 ** Make a deposit for April if under the monthly deposit rule	17	18 * Make a deposit for 5/11-5/13	19	20 * Make a deposit for 5/14-5/17	21
22	23	24	25 * Make a deposit for 5/18-5/20	26	27 * Make a deposit for 5/21-5/24	28
29	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.

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

# June 2005

SUN	MON	TUE	WED	THU	FRI	SAT
			1	2 * Make a deposit for 5/25-5/27	3 * Make a deposit for 5/28-5/31	4
5	6	7	8 * Make a deposit for 6/1-6/3	9	10 * Make a deposit for 6/4-6/7  Employees report May tip income to employers if \$20 or more	11
12	13	14	15 * Make a deposit for 6/8-6/10  ** Make a deposit for May if under the monthly deposit rule	16	17 * Make a deposit for 6/11-6/14	18
19	20	21	22 * Make a deposit for 6/15-6/17	23	24 * Make a deposit for 6/18-6/21	25
26	27	28	29 * Make a deposit for 6/22-6/24	30		

\*= 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

### May 2nd

- > File Form 941 for the 1st quarter of 2005. If all deposits paid on time and in full, file by May 10th.
- > File Form 730 and pay the tax on applicable wagers accepted during March.

### May 31st

- > 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.

Reminder: Form 11-C for the Occupational Excise tax is due on July 1st