



ITG News



Publication 4267F

Catalog Number 37843F

Southwest - Four Corners' Edition

April 2005

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, or by contacting us at 716-686-4860.

Christie Jacobs



IN THIS ISSUE

Message from the Director	1
New ITG Specialists to be Hired Web Site Redesigned Planned	2
Form 941 Redesign Abusive Schemes Should I Revise My Form W-4?	3
Taxpayer Identification Number (TIN) Matching Form W-9 Revised	4
Payments to Members of Boards/Commissions	5
Revenue Ruling 2004-110	5
Group Term Life Insurance	6
Tax Calendar for the 2nd Quarter	7/ 8



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.



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. Copies of the form and instructions are also available by calling the IRS at 1-800-829-3676.

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.

SHOULD I REVISE MY FORM W-4?

Share this information with your tribal members

Did you owe tax on your 2004 tax return? If so, you may want to adjust your withholding on your current job to help cover the taxes you will owe on your tribal distributions.

Adjust your withholding now by filling out a new Form W-4.

Refer to your most recent pay stubs, income tax return, and the amount of your tribal distributions.

Go to the "Withholding Calculator" found at www.irs.gov.

Type in "withholding calculator" in the search feature.

Select withholding calculator, and fill in all the information that applies to you.

The final screen will summarize the results. If you use it to complete your new Form W-4, keep it for your records.



Taxpayer Identification Number (TIN) Matching

TIN Matching is part of a suite of internet based pre-filing e-services that allow "authorized payers" the opportunity to match 1099 payee information against IRS records prior to filing information returns. An authorized payer is one who has filed information returns with 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 with 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 on-line tutorial to assist customers with the registration, application and TIN Matching process. E-services customer assistants are also available at 1-866-255-0654, 8:30 a.m. to 7:00 p.m., EST, Monday through Friday.

E-services users must register to have access to products such as TIN Matching. For more information visit www.irs.gov and type "TIN Matching" in the search feature.

Form W-9 revised in January 2005: Do you have the most current version of this Form?

The Form W-9, (Request for Taxpayer Identification Number and Certification) was revised in January of 2005. The tax information provided on the revised Form W-9 is basically the same as the previous version.

You can access copies of this form including its instructions on the "Forms and Publications" page at www.irs.gov. Copies of the form and instructions are also available by calling the IRS at 1-800-829-3676.

To add your name or e-mail address to our mailing list, please contact us via e-mail at Suzanne.V.Perry@irs.gov, or call Suzanne Perry at (602) 207-8254.



Payments to Members of Boards/Commissions

Elected and Public Officials

Generally, public officials are employees for Federal Insurance Contributions Act (FICA) purposes. The following are normally public officials:

- 1) Tax collectors and assessors,
- 2) Justices of the peace, and
- 3) **Members of boards/commissions.**

Appointed Officials

Appointed officials, including personnel boards, financial boards, gaming regulators, and others are employees and the paying entity is required to withhold FICA and federal income taxes.

Tax Treatment of Elected vs. Appointed Officials

Elected and most appointed officials are defined by federal statute as employees of the public entities they service. Unless they are subject to Revenue Ruling 59-354 (tribal council member's treatment), payments to these individuals constitute wages and are subject to FICA and federal withholding taxes.

Additional information can be found in Chapter 3 of Publication 4268, Employment Tax Desk Guide for Indian Tribal Governments. If you have any additional questions, please contact your assigned ITG Specialist.

Effective 1/12/2005: Revenue Ruling 2004-110 Redefines the employment contract cancellations as wages

This ruling holds that an amount paid to an employee as consideration for the cancellation of an employment contract and relinquishment of contract rights is ordinary income and wages for purposes of Federal Insurance Contributions Acts (FICA) the Federal Unemployment Tax Act (FUTA), and the Collection of Income Tax at Source (federal income tax withholdings).

This revenue ruling defines the term "wages" as all remuneration for employment unless specifically excepted under Internal Revenue Code (IRC) section 3121(a). Section 31.3121(a)-1(c) provides that the name by which remuneration for employment is designated is immaterial. Section 31.3121(b)-3(b) defines employment as services performed by an employee for an employer, unless specifically excepted under section 3121(b).

This Revenue Ruling supercedes Revenue Rulings 55-520 and 58-301 and modifies Revenue Rulings 74-252 and 75-44. These rulings allowed the payment for the cancellation of an employment contract to be treated as ordinary income and not a capital gain.



Group Term Life Insurance as a taxable fringe benefit:

Are you providing more than \$50,000 in coverage?

If you are providing more than \$50,000.00 in group term life insurance, then as the employer, you are required to include in your employee's wages subject to social security and Medicare taxes the cost of group-term life insurance that is more than the cost of \$50,000 of coverage, reduced by the amount the employee paid towards the insurance. Report the cost of the group term life insurance as wages in boxes 1, 3 and 5 in the employee's Form W-2. Also this amount is shown in box 12 of the Form W-2 with a Code C.

Figure the monthly cost of the insurance to include in the employee's wages by multiplying the number of thousands of dollars of insurance coverage over \$50,000 (figured to the nearest \$100) by the cost shown in the following table. Use the employee's age on the last day of the tax year. You must prorate the cost from the table if less than a month of coverage is involved.

Cost Per \$1,000 of Protection For 1 Month

Age	Cost
Under 25.....	\$.05
25 through 29.....	\$.06
30 through 34.....	\$.08
35 through 39.....	\$.09
40 through 44.....	\$.10
45 through 49.....	\$.15
50 through 54.....	\$.23
55 through 59.....	\$.43
60 through 64.....	\$.66
65 through 69.....	\$1.27
70 and older.....	\$2.06

You figure the total cost to include in the employee's wages by the multiplying the monthly cost by the number of full months' coverage at that cost.

Example. Tom's employer provides him with group-term life insurance coverage of \$200,000. Tom is 45 years old, is not a key employee, and pays \$100 per year toward the cost of the insurance. Tom's employer must include \$170 in his wages. The total cost of the insurance, \$360 ($$.15 \times 200 \times 12$), is reduced by the cost of the \$50,000 of coverage, \$90 ($$.15 \times 50 \times 12$), and by the \$100 Tom pays for the insurance. The employer includes \$170 ($\$360 - (\$90 + \$100)$) in boxes 1, 3 and 5 of Tom's Form W-2. The employer also enters \$170 in box 12 of the Form W-2 with a Code C.

If you have any questions related to this issue, then please contact your assigned ITG Specialist. If you are not sure who is your assigned ITG Specialist, then please contact the Southwest Group Manager, Steve Bowers at 714-347-9430.

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