



ITG News

Keeping First Nations Informed



Publication 4267G
Catalog Number 37844Q

Western Edition

October 2005

Message From The Director

October marks the start of FY 2006 for the federal government, and with it, another annual Work Plan for the office of Indian Tribal Governments. As in past years, our Work Plan outlines the areas where we will place an emphasis for the upcoming 12 month period, and is based on an analysis of customer input, employee input, and data.

Several areas of focus will continue from this past year. This includes issues such as tip reporting by employees of tribal enterprises, and employment tax examinations. In addition to these issues, we will be placing an increased emphasis on two other significant areas:

- Bank Secrecy Act - the federal government continues to focus on combating money laundering. Due to the potential use of tribal enterprises (particularly tribal casinos) as vehicles for money laundering, we will seek to work closely with tribes to ensure that they have effective BSA Compliance Plans.
- Information Reporting - as tribal economies continue to grow, we will focus resources on ensuring that tribes are in compliance with both information reporting and withholding requirements on payments to vendors and individuals.

FY 2006 will also mark the rollout of an initiative to allow tribal entities to perform their own Compliance Checks. Detailed information on that program is available on page 2 of this newsletter.

As always, a copy of the ITG Annual Work Plan will be posted on our web site at www.irs.gov/tribes, and I welcome any questions or feedback you may have on our operations, by contacting me at (202) 283-9800, or via e-mail at christie.jacobs@irs.gov.



IN THIS ISSUE

Message from the Director	1
Self-Compliance Check Program	2
Customer Satisfaction Survey Update	3
Mitigating Financial Risk with Vendor Contracts	3
Volunteer Tax Preparation Assistance (VITA)	4
Treatment of Tribal Council Member Payments	5
Inter-Tribal Council of Nevada Workshop	6
Mileage Rates Increase	6
Tax Calendar for the 4th Quarter	7/8

Christie Jacobs



ITG to Implement Self-Compliance Check Program

One of the cornerstones of our interactions with tribal entities has been “Compliance Checks”. While participation in Compliance Checks is voluntary on the part of tribal entities, many of them have found it to be a useful tool in determining potential weaknesses in their federal tax administration responsibilities. These have often led to additional activities such as educational seminars by ITG for tribal staff, assistance by ITG in filing returns, and adjustments to tax accounts. During the past 3 years, ITG has performed over 700 Compliance Checks, which in turn have led to nearly 800 actions to assist tribes in improving tax compliance.

We are pleased to announce that we will be implementing an initiative to permit certain tribal entities to perform their own Compliance Checks if they so choose. Tribal entities must be current in the filing of all required federal tax returns, and must have fully paid all federal tax liabilities in order to qualify. They will be able to apply to perform a “self-Compliance Check”, by submitting a request through a special link on the landing page of the ITG web site, or by notifying ITG in response to a contact we might initiate.

A special template with fill-in-the blank responses has been created, and is currently being tested by three tribes that volunteered to assist with this process. We also are creating a special web page with linkages to reference material that will assist tribes in both understanding the process, as well as in completing their own Compliance Check.

As part of this process, tribal entities performing their own Compliance Check will have the opportunity to effect any corrective actions. An ITG Specialist will assist in that process, and will mitigate any penalties wherever possible. For example, if a tribal entity discovered during a self-Compliance Check that they had not filed required Forms 1099, the entity could make a self correction without risk of penalty.

We worked with several tribes during the development of this initiative, and we believe that there are several advantages that a tribe might realize through this process. Among them are:

- Existing tribal finance staff might gain added insights into key federal tax administration issues that impact their positions and the tribal entity.
- A new tribal finance officer could utilize a self-Compliance Check to establish a baseline of current federal tax compliance. It would improve their knowledge of the tax issues within the specific entity, and allow them to remedy any problems that might pre-date their assumption of tax responsibilities.
- A tribal entity might identify a potential area of noncompliance that they wish to surface to ITG and remedy with minimal risk or cost.

We will be posting information to our main landing page at www.irs.gov/tribes as soon as this initiative is ready to launch nationwide, and a Special Edition of ITG News will be issued as well. We plan to be ready by mid-November, and sincerely hope that this initiative will empower tribes to self-assess federal tax compliance and effect improvements. We thank those who have been involved in its design and testing, and look forward to active participation of tribal entities who believe they might benefit.

Consultation Policy Update

We continue to progress with the issuance of an IRS/Tribal Consultation Policy. While we continue to work through the clearance process internally and with the Treasury Department, we plan to begin to implement the section of the policy that will direct a minimum of four annual listening meetings. Our web site will contain the latest news as we move forward to finalize the policy, as well as schedule the initial meetings.



Annual Customer Satisfaction Survey Update

As we announced in the July issue of ITG News, we undertook our annual customer satisfaction survey of all 564 federally-recognized tribes during August and September, in order to secure feedback on our operations. As noted in the “Message From The Director” in this issue, feedback from tribes is one component we use in formulating our annual Work Plan.

We are just beginning to analyze the responses, and as in past years, we will publish the results on our web site at www.irs.gov/tribes. Our report, which we plan to complete and post by November 15th, will contain a summary of any actions we will undertake to effect improvements based on the feedback provided by tribes. Improvements made as a result of past surveys include staffing increases, creation of new educational products, and the redesign of the ITG web site. Equally important is survey feedback on areas where we are meeting the federal tax administration needs of tribes, so that we can continue to reinforce our activities in those areas.

We want to thank all of you who took the time to respond. While we welcome your feedback at any time, your survey input is valuable in our decision-making processes. We look forward to your continuing participation in this important process.

Effective Internal Controls Can Mitigate Risk in the Contracting Process

Several tribes have surfaced concerns with losses they incurred from contractors who failed to perform services as required. Subsequent discussions revealed that in many cases the tribes did not have adequate controls in place to properly award or monitor the contracts. While tribes enact their own operating procedures for contracting with vendors, many have developed internal controls that help ensure the contracting process has four key steps – solicitation of bids for statements of work, a formal award of the contract by a duly designated tribal body, a validation of work performed, and a documented formal payment process. Generally the award and monitoring of performance is done by a different party than the one that makes payment. A certification is used to validate that the work is completed and to request issuance of payment.

While there is no guarantee that losses can be avoided, the creation of internal checks and balances within the process by the tribe can help ensure that work is performed as required, and that payment is not made until the tribe is satisfied that the contract has been fully performed.

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

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.

Volunteer Tax Preparation Assistance

Are you puzzled by the tax law and which credits and deductions you can take? If so, then why not look into the free, IRS-sponsored, volunteer tax return preparation services? In addition to tax preparation, many also offer free electronic filing of tax returns.

The Volunteer Income Tax Assistance (VITA) Program offers free tax help to families whose incomes are \$36,000 or less. Volunteers sponsored by various organizations receive training to prepare basic tax returns in communities across the country. VITA sites are generally located at community and neighborhood centers, libraries, schools, shopping malls and other convenient locations.

Filing your taxes can be easy and free. Take advantage of a volunteer assistance program in your area to receive free income tax preparation assistance. Visit the IRS Web site at www.irs.gov, and type in the IRS Keyword, Community Network, to learn about these programs and more. To obtain the location, dates and hours of the volunteer site closest to you, call the IRS toll-free at 1-800-829-1040.

There are currently three VITA sites located in Nevada tribal communities. Would you like to see a VITA site in your community?

- Shoshone Paiute Tribes Owyhee, NV
- Pyramid Lake Paiute Tribe Nixon, NV
- Walker River Paiute Tribe Schurz, NV

Benefits of having a VITA site:

- Income tax returns are prepared for free.
- Larger refunds are received by claiming Earned Income Tax Credit (EITC). (Volunteers will know whether you qualify for this credit or not.)
- More money to spend in your tribal community.

If your tribe would be interested in having a VITA site in your community, please call:

- (NEVADA) Steve Epstein (702) 868-5081 or Steven.R.Epstein@irs.gov
- (CALIF) Imperial & Riverside Counties: Daniel Swaby (760) 471-5945 x 385 or Daniel.A.Swaby@irs.gov
- (CALIF) San Bernardino County: Hans Blank (949) 389-4608 or Hans.G.Blank@irs.gov
- (CALIF) San Diego County: Ron Wicks (760) 471-5945 x 384 or Ronald.L.Wicks@irs.gov
- (CALIF) Orange County: Colleen Rucker (760) 471-5945 x 374 or Colleen.M.Rucker@irs.gov
- (CALIF) Los Angeles & San Jose: Stella Lee (408) 817-6554 or Stella.Lee@irs.gov
- (CALIF) Oakland & Sacramento: Bob Meyer (916) 974-5471 or Bob.Meyer@irs.gov





Treatment and Information Reporting of Tribal Council Member Payments Made by Indian Tribal Governments

Revenue Ruling 59-354 explains that monies paid for services performed as tribal council members (e.g. monies paid to attend council meetings) do not constitute wages for purposes of FICA or income tax withholding. **Such payments, however, are considered income and are subject to federal income tax** regardless of whether tax was withheld or a Form W-2 was issued.

These monies are reported as income on Form 1040, Line 7. Use **Form W-2** to report income from meeting stipends if the combined amount of the meeting stipends plus Tribal government wages is **\$600 or more** in a calendar year. Please refer to Treasury Regulation 1.6041-2(a)(1) to review the \$600 W-2 reporting rule in further detail. **Do not report meeting stipends on Form 1099-Misc.**

NOTE: Tribal council members may **voluntarily elect** to have income tax withheld from their meeting stipend payments.

9595 VOID CORRECTED

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Rents	2005 Form 1099-MISC	Miscellaneous Income
		\$		
		2 Royalties		
PAYER'S Federal identification number		3 Other income	4 Federal income tax withheld	Copy A For Internal Revenue Service Center
		\$	\$	
PAYER'S Federal identification number		5 Fishing boat proceeds	6 Medical and health care payments	Form 1099.
RECIPIENT'S identification number		DO NOT USE		
15a Section 408A deferrals		payments	an attorney	acy Act network ion Act see the general ons for s 1099, 5498, W-2G.
15b Section 408A income		\$	\$	
16 State tax withheld		17 State/Payer's state no.		18 State income
\$		\$		\$



**Inter-Tribal Council Of Nevada, Inc.
40th Annual Convention
October 24 - 27, 2005
Silver Legacy Resort Casino
Reno, Nevada**

The Internal Revenue Service's Office of Indian Tribal Governments will be presenting two workshops entitled, "**Insights into Gaming Tax Administration**" for anyone that may be interested in attending.

We invite you to attend our workshops that will be held on October 25th & 26th from 1:00 p.m. to 3:00 p.m.

If you have any questions, please give your Nevada Indian Tribal Government Specialist a call.

Julie North: (916) 974-5578
James Rivers: (619) 230-8165, ext.120
Emily Williamson: (619) 230-8165, ext.126

Mileage Rates Increase

In response to the recent gasoline price increases, the IRS and Treasury Department announced an increase in the optional standard mileage rates for the final four months of 2005. The rate will increase to **48.5 cents** a mile for all business miles driven from September 1, 2005 through December 31, 2005. This is an increase of 8 cents a mile from the 40.5 cent rate in effect for the first eight months of 2005, as set forth in Revenue Procedure 2004-64.



Federal Tax Calendar for Fourth Quarter 2005

October 2005

SUN	MON	TUE	WED	THU	FRI	SAT
						1
2	3	4	5 * make a deposit for 9/28-9/30	6	7 * make a deposit for 10/1-10/4	8
9	10	11 Employees earning tips in excess of \$20 in September must report amount to employer	12	13 * make a deposit for 10/5-10/7	14 * make a deposit for 10/8-10/11	15
16	17 ** Make a deposit for September if a monthly depositor	18	19 * make a deposit for 10/12-10/14	20	21 * make a deposit for 10/15-10/18	22
23	24	25	26 * make a deposit for 10/19-10/21	27	28 * make a deposit for 10/22-10/25	29
30	31					

November 2005

SUN	MON	TUE	WED	THU	FRI	SAT
		1	2 * make a deposit for 10/26-10/28	3	4 * make a deposit for 10/29-11/1	5
6	7	8	9 * make a deposit for 11/2-11/4	10 Employees earning tips in excess of \$20 in October must report amount to employer	11	12
13	14 * make a deposit for 11/5-11/8	15 ** Make a deposit for October if a monthly depositor	16 * make a deposit for 11/9-11/11	17	18 * make a deposit for 11/12-11/15	19
20	21	22	23 * make a deposit for 11/16-11/18	24	25	26
27	28 * make a deposit for 11/19-11/22	29	30 * make a deposit for 11/23-11/25			

* = 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.

December 2005

SUN	MON	TUE	WED	THU	FRI	SAT
				1	2 * make a deposit for 11/26-11/29	3
4	5	6	7 * make a deposit for 11/30-12/2	8	9 * make a deposit for 12/3-12/6	10
11	12 Employees earning tips in excess of \$20 in November must report amount to employer	13	14 * make a deposit for 12/7-12/9	15 ** Make a deposit for November if a monthly depositor	16 * make a deposit for 12/10-12/13	17
18	19	20	21 * make a deposit for 12/14-12/16	22	23 * make a deposit for 12/17-12/20	24
25	26	27	28	29 * make a deposit for 12/21-12/23	30 * make a deposit for 12/24-12/27	31

*= Make a Payroll Deposit if you are under the semi-weekly deposit rule. NOTE: Deposits made through EFTPS are due one day prior to the dates listed.
 **= Make a Monthly Deposit if you qualify under that rule.

Return Filing Dates

October 31st

- > File Form 941 for the 3rd quarter of 2005. If all deposits paid on time and in full, file by November 10th.
- > File Form 730 and pay the tax on applicable wagers accepted during September.

November 30th

- > File Form 730 and pay the tax on applicable wagers accepted during October.

January 3, 2006

- > File Form 730 and pay the tax on applicable wagers accepted during November.