



ITG News

Keeping First Nations Informed



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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.



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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.



**Financial Crimes Enforcement Network (FinCEN):
Bank Secrecy Act**

Suspicious Activity Reports Guidance

The Financial Crimes Enforcement Network (FinCEN) offers several tools for understanding and preparing Suspicious Activity Reports, from FinCEN 102, Suspicious Activity Report (SAR) by Casinos and Card Clubs.

Suspicious Activity Reporting Guidance for Casinos is intended to provide assistance specifically written for casinos. This publication should be used as a supplement to the SAR form instructions. All of the materials noted here can be found at www.fincen.gov.

Information in this publication includes reporting suspicious activity, examples of actual casino SARC narratives, disclosure of SARC reports and underlying facts, and a section on obtaining further information.

In addition to this publication, other guidance available on this subject includes the publication *Guidance on preparing a Complete and Sufficient Suspicious Activity Report Narrative*. This provides filers with a recommended process of organizing and writing SAR narratives.

The Suspicious Activity Report Form is a PowerPoint presentation providing general information about reporting requirements for the respective industries mandated to file SARs, as well as the subsequent use of those SARs.

Keys to writing a Complete & Sufficient Narrative is a PowerPoint presentation providing suggestions on how to enhance writing a SAR narrative.

To obtain interpretations of BSA regulations call FinCEN's Regulatory helpline at 1-800-556-3974. To report terrorist related financial activity, call the Financial Institutions Hotline at 1-866-556-3974. To obtain information on filing this form, call the IRS-Detroit Computing Center Hotline at 1-800-800-2877. You may also call you local ITG Specialist for information on any of these subjects.

Please visit the ITG website www.irs.gov/tribes for additional information on obtaining help in this area.

MILEAGE RATE 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 Sept.1 through Dec. 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.



What to Do When You Receive IRS Correspondence

Tribal entities often receive numerous types of correspondence from various IRS functions. This may include notices about filing certain forms, proposed penalties, or inquiries about various tribal functions.

The key rule in dealing with any type of correspondence that might be received is to ***respond to it in a timely manner***. Correspondence is required to have a contact name and telephone number on it. This is often the best way to clear up any questions that might arise from the correspondence.

If this does not resolve any outstanding issue, please contact your assigned local ITG specialist. They are trained to serve tribes in navigating the IRS, and the many functions within it. Your assigned specialist has extensive training on employment taxes, information returns, penalties, Title 31, gaming tax law, and many other related issues.

ITG offers on-line help at www.irs.gov/tribes. There are links to obtain any forms you might need, frequently asked questions on numerous subjects, and a myriad of other information especially designed for tribes and tribal members.

The contact numbers of all group managers in ITG, and the director of ITG, are also available there.

Frequently Asked Questions Offer Solutions to Tribal Issues

The ITG website www.irs.gov/tribes offers solutions to many tribal questions on a wide variety of subjects. Under the title of *ITG Frequently Asked Questions*, on the home page of this site, questions and answers include:

- Communications, Publications and Sources of Information
- Distributions
- Employee Plans and Exempt Organization Issues
- Employment Taxes
- Excise Taxes
- Information Reporting
- IRC Section 7871 (Tribes Treated Like States for Federal Tax Purposes)
- IRC Section 7873 (Fishing Rights)
- Miscellaneous Issues
- Status of Tribes (Taxable vs. Nontaxable vs. Not Subject to Tax)
- Targeted Tax Benefits
- Tax Exempt Bonds
- Tip Income
- Title 31 (Anti-Money Laundering)
- Non-Casino Cash Transactions Over \$10,000-Form 8300
- Tribal Issues vs. Tribal Member Issues
- Glossary of Terms



Filing Information Returns Electronically

If you file 250 or more Information Returns for any calendar year, the IRS requires that they be filed either electronically or through magnetic media. Even if you file fewer than 250 returns, you are encouraged to sign up and file electronically.

It is time to stop using those antiquated tape cartridges and 3 1/2- inch diskettes and start filing your Information Returns electronically now. Information Returns are filed electronically via the FIRE (**F**iling **I**nformation **R**eturns **E**lectronically) system at <http://fire.irs.gov>. The FIRE System is conveniently available 24 hours a day, 7 days a week.

The following information returns can be filed electronically: Forms 1042-S, 1098, 1099, 5498, 8027, W-2G and QWF (Questionable Forms W-4).

Participants are required to submit Form 4419, Application for Filing Information Returns Electronically/Magnetically, to request authorization to file Information Returns with the Internal Revenue Service (IRS) Martinsburg Computing Center (MCC).

Once approved, a five-character alpha/numeric Transmitter Control Code (TCC) will be assigned. If you already have a TCC for magnetic media filing, you need not reapply. New users should submit Form 4419 to IRS/MCC at least 30 days before the due date of Returns for current year processing. Send your completed Form 4419 to:

Internal Revenue Service
Martinsburg Computing Center
Information Reporting Program
230 Murall Drive
Kearneysville, WV 25430

Benefits of Filing Electronically

- It's Paperless
- It's Secure
- It's Easy to Use...there is better customer service due to online availability of transmitter files
- Its Efficient...online notification within 1 to 2 days on most forms
- It's Fast...reduce transmission time by up to 95%
- It's Flexible...due dates are extended for electronically filed forms 1098, 1099, & W-2G from February 28 to March 31 each year

For more information about the FIRE system and how to use it, download Publication 3609 from the IRS Website or call your ITG specialist for a copy. Filers may also contact the IRS/MCC toll free at 1-866-455-7438 extension 3 for customer service questions.

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.