



# ITG News

Keeping First Nations Informed



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## Message From The Director

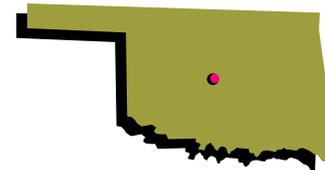
Several major indictments have received substantial press in recent months involving alleged criminal activity that infiltrated tribal entities. One investigation involving the Kickapoo Traditional Tribe of Texas resulted in indictments of 7 individuals for conspiracy, theft of tribal funds, and money 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. Read more about Form 941 on page 5 of this newsletter.

## Pull Tabs and Information Reporting

There continues to be a common misconception regarding the reporting threshold for filing Forms W-2G for pull-tabs.

The IRS holds that the proper reporting threshold for filing Forms W-2G for pull-tabs is \$600, although some tribes have utilized a threshold of \$1,200.

IRC Section 6041 requires that all payments of \$600 or more made in the course of a trade or business, involving rents, etc., and including "other fixed or determinable gain, profits and income" must be reported to the Secretary.

Revenue Ruling 85-194 states that the definition of "person" is broad enough to include governmental bodies, and that tribes in the trade or business of operating a bingo facility or casino are subject to the information reporting requirements of Section 6041.

Temporary Regulation 7.6061-1 "Return of Information as to payments of winnings from bingo, keno and slot machines" is very specific. The \$1,200 reporting threshold applies only to bingo and slot machine winnings. There is nothing in the Code or Regulations that equates pull-tabs to slot machines and no regulation that exempts pull-tabs from Section 6041. There is also nothing that indicates a different reporting threshold for pull-tab winnings.

For more information on the reporting requirements for Form W-2G, you may refer to Publication 3908. The following chart describes when a W-2G generally must be issued:

## *Gaming Withholding and Reporting Threshold – Forms Needed*

Game	Form 1099 Required	Form W-2G Proceeds Not Reduced by Wager	Form W-2G Proceeds Reduced by Wager	Form W-2G Withholding Required <b>See Note 1.</b>	Form 1042-S Foreign Pay- outs Verifiable Payments <b>See Note 2.</b>
Slot win		\$1,200			Yes
Bingo win		\$1,200			Yes
Keno win: 1-20 games Keno win: over 20 games			\$1,500		Yes
Sweepstakes, lotteries, Instant Bingo Game Prizes/Pull-Tabs and other wagering pools - Proceeds more than 300 times the amount wagered. - Withholding required regard- less of payout odds.			\$ 600	\$5,000	Yes
Caribbean stud, let it ride, sur- vival dice, 21 superbucks - Wagering transaction with proceeds more than 300 times the amount wagered. <b>See Note 3.</b>			\$ 600	\$5,000	Yes
Tournament – no entry fee	\$ 600				Yes
Tournament – with entry fee - <b>See Note 4.</b>					
Pari-mutuel, including horse racing, dog racing, and jai alai - With proceeds more than 300 times the amount wagered.			\$ 600	\$5,000	Yes
Drawings, promotions (prizes received with no wager)	\$ 600				Yes
Sports event or contest - Only reportable if proceeds exceed 300 times the wager.			\$ 600	\$5,000	Yes

**Note:**

- 1.** Winnings must be reduced by the amount wagered and the proceeds must exceed \$5,000.
- 2.** Payments made to non-resident aliens are subject to withholding and reporting on Form 1042-S (Proceeds from blackjack, craps, roulette, baccarat, or big wheel 6 are exempt from withholding and reporting.)
- 3.** Players of these table games can receive payments where the proceeds exceed 300 times the wager. These payments are subject to reporting at \$600 in proceeds and with holding is applicable at \$5,000 in proceeds.
- 4.** Tournaments with entry fees must be analyzed to see if the entry fee is a wager, and if the proceeds exceed the wager by 300 times or more, or if the tournament is a wagering pool.



## IRS Revises Employment Tax Return Form 941

The Internal Revenue Service has redesigned the employment tax return Form 941, Employer's Quarterly Federal Tax Return. The Form 941 is used to report wages, tips, and other compensation paid, as well as Social Security, Medicare, and income taxes collected.

The redesigned form features an improved layout, plain language instructions, simplified deposit reporting and paid preparer identification. The form is also scannable, which may lead to fewer transposition errors.

The form is available on [www.irs.gov](http://www.irs.gov). Printed copies of the form and instructions are also available by calling the IRS at 1-800-829-3676.

The following table provides the mailing addresses for employment tax returns. If you need further assistance, please contact your ITG specialist.

**If you are filing an annual employment tax return on behalf of an exempt organization or a government entity (federal, state, local or Indian tribal), use the following addresses, regardless of your location.**

If you are filing...	and ARE enclosing a payment send the return to:	and are NOT enclosing a payment, send the return to:
<u>Form 940-EZ</u> —Employer's Annual Federal Unemployment (FUTA) Tax Return	P.O. Box 660351 Dallas, TX 75266-0351	Ogden, UT 84201-0047
<u>Form 940</u> —Employer's Annual Federal Unemployment (FUTA) Tax Return	P. O. Box 660095 Dallas, TX 75266-0095	Ogden, UT 84201-0046
Form 941—Employer's Quarterly Federal Tax Return	P.O. Box 660264 Dallas, TX 75266-0264	Ogden, UT 84201-0005
<u>Form 943</u> —Employer's Annual Tax Return for Agricultural Employees	P.O. Box 660587 Dallas, TX 75266-0587	Ogden, UT 84201-0008
<u>Form 945</u> —Employer's Annual Return of Withheld Federal Income Tax	P.O. Box 660443 Dallas, TX 75266-0443	Ogden, UT 84201-0042



## **[WWW.IRS.GOV](http://WWW.IRS.GOV) AND [WWW.IRS.GOV/TRIBES](http://WWW.IRS.GOV/TRIBES) OFFER A WIDE VARIETY OF SERVICES FOR TRIBES AND INDIVIDUAL TAX NEEDS**

Many tribes and tribal members are discovering the wide variety of services and products they can obtain from these two websites.

[WWW.IRS.GOV](http://WWW.IRS.GOV) offers every IRS form and publication in the most current edition. The search engine on this website allows the user to easily find whatever they need quickly and easily.

Casino forms, payroll forms, electronic filing information, and a variety of other subjects are just key-strokes away at this site that is accessed by millions of IRS customers around the country each year .

This website has multiple links to other websites and can provide information on any tax topic that might be required.

[WWW.IRS.GOV/TRIBES](http://WWW.IRS.GOV/TRIBES) is a website created and operated especially for Indian tribes and tribal members across the country. This website contains a myriad of information especially useful to tribes and their members. It includes a frequently asked questions section that addresses numerous questions that tribes and their members often have about tax issues. There are also educational materials and an employment tax guide designed for tribes, Publication 4268.

Specially designed publications on gaming from both the casino's viewpoint and the individual gamer can be found in Publication 3908.

There are also updates on current legal proceedings such as Revenue Procedures, Revenue Rulings, and other items of particular interest to tribes.

You are encouraged to use these valuable resources that are available to you 24 hours a day, 7 days a week.

Both sites are continuously updated in an effort to serve both the general public and the Tribal public, in a timely and professional manner.

# 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