

WAGES, FRINGE BENEFITS, BOOSTER CLUBS & VENDOR PAYMENTS Tax year 2014

By Brenda Hollingsworth
of the
Internal Revenue Service



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File your
Form 2290 >>



I need to **pay**
my taxes >>



I need to **file**
a return >>



IRS.gov en
Español >>

Forms and Pubs

- > 941
- > 4506-T
- > 1040
- > SS-4
- > 2848
- > More ...
- > W-2
- > W-8BEN
- > Pub 15
- > W-4
- > W-9

Hot Topics

- > Schedule Your RTRP Test
- > Free File: It's Fast, Easy & Secure
- > Pay Your Tax Bill
- > E-file Your Form 2290 This Year
- > Affordable Care Act Tax Provisions
- > More ...

Tools

- > Order a Return or Account Transcript
- > Use the Interactive Tax Assistant
- > Apply for an EIN Online
- > Request an Electronic Filing PIN
- > First Time Homebuyer Credit Look-up
- > More ...

Filing & Payment

where's
my refund?

freefile

IRS e-file

EFTPS

News

Highway Use Tax Return Due
Aug. 31

Planned Outage to Affect
Some IRS Systems Around
Labor Day

Be Prepared: Safeguard your
Tax Records

[Disaster Planning](#)[For Tax Preparers](#)[Offshore Disclosure](#)[Fresh Start](#)[Identity Theft](#)

Registered Tax Return Preparer

Pass IRS test to get RTRP credential, listing on future
public database.

Schedule Your Test Today

Why wait? Use your online PTIN account to set test site,
date and time.

New Continuing Education Requirements

Social Media



Message for Tax Return Preparers



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Search

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Help & Resources

- Individuals
- Businesses
- Charities & Non-Profit
- **Government Entities**
- Tax Professionals
- Retirement Plans
- Tax Exempt Bonds



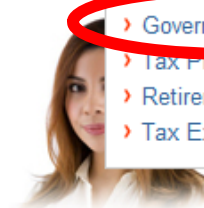
File your
Form 2290 >>



I need to **pay**
my taxes >>



I need to **file**
a return >>



Forms and Pubs

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where's my refund?

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Tax Records

Disaster Planning

For Tax Preparers

Offshore Disclosure

Fresh Start

Identity Theft



IRS Cracks Down on Fraud

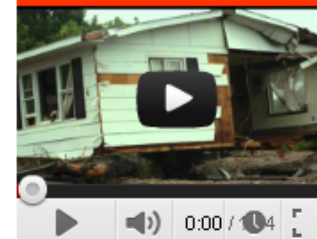
Suspected identity theft fraudsters are target of nationwide effort.

Civil and Criminal Actions

Details on 200 ID-theft indictments, arrests, warrants are available.

[Taxpayers Guide to Identity Theft](#)

Social Media



Help for Disaster Victims

http://www.irs.gov/Government-Entities

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Government Entities

[Federal, State & Local Governments](#)[Governmental Liaisons](#)[Indian Tribal Governments](#)

Government Entities Topics

- [Tax Exempt Bonds](#)
- [Tax Topics](#)
- [State Links](#)
- [Appeal a Tax Dispute](#)
- [Government Entities Home](#)

Tax Information for Government Entities



Tax Information for Federal, State, & Local Governments

Federal, State and Local Governments facilitates cooperation through partnerships with federal, state, and local government agencies for the purpose of meeting their federal tax responsibilities, with a focus on customer service and fairness to all.

Tax Information for Indian Tribal Governments

Indian Tribal Governments (ITG) uses partnership opportunities with Indian tribal governments, tribal associations and other federal agencies to respectfully and cooperatively meet the needs of both governments.

Information for the Tax Exempt Bond Community

Tax Exempt Bonds (TEB) provides specialized information and services to the municipal finance community, including tailored educational programs which focus on bond industry segments; proactive education and outreach products which address non-compliance trends; and compliance programs devised to foster voluntary resolution of tax law infractions.

Partnering Opportunities for Federal, State & Local Governments

The Office of Governmental Liaison (GL) is responsible for developing and implementing cooperative tax administration initiatives between the IRS and federal, state, and local governments. Each state has an assigned GL to serve as the primary liaison for the GL program.

<http://www.irs.gov/Government-Entities/Federal,-State-&-Local-Governments>

The screenshot shows the IRS website for Federal, State, and Local Governments. The top navigation bar includes links for Filing, Payments, Refunds, Credits & Deductions, News & Events, Forms & Pubs, Help & Resources, and for Tax Pros. The left sidebar lists Federal, State & Local Governments, Governmental Liaisons, and Indian Tribal Governments. The main content area is titled 'Tax Information for Federal, State, and Local Governments' and includes links to 'Federal, State & Local Governments - A Closer Look', 'Federal, State and Local Governments News', 'Issues for Government Entities', 'Educational Resources' (circled in red), 'Federal, State & Local Governments FAQs', and 'Contact FSLG'. The right sidebar features 'FSLG Quick Links' and 'News Alerts'. The footer indicates the page was last reviewed or updated on 19-Feb-2014.

Filing **Payments** **Refunds** **Credits & Deductions** **News & Events** **Forms & Pubs** **Help & Resources** **for Tax Pros**

Federal, State & Local Governments
Governmental Liaisons
Indian Tribal Governments

Tax Information for Federal, State, and Local Governments

Federal, State & Local Governments - A Closer Look
About us: our mission and how we can help you

Federal, State and Local Governments News
Recent developments affecting government entities

Issues for Government Entities
Employment tax, information reporting, filing requirements, fringe benefits and more

Educational Resources
Links to publications, recorded presentations and other tools

Federal, State & Local Governments FAQs
FAQs organized by topic

Contact FSLG
How to get help by phone or e-mail

FSLG Quick Links

- › FSLG Newsletter
- › FSLG Work Plan
- › Forms and Pubs
- › Taxpayer Advocate

News Alerts

- › Certain Medicaid Waiver Payments Excludable

Page Last Reviewed or Updated: 19-Feb-2014

<http://www.irs.gov/Government-Entities/Federal,-State-&-Local-Governments/Educational-Resources>

Filing

Payments

Refunds

Credits & Deductions

News & Events

Forms & Pubs

Help & Resources




for Tax Pros

Federal, State & Local Governments

Governmental Liaisons

Indian Tribal Governments

Educational Resources



The following products provide valuable information on a range of federal tax responsibilities that apply to Federal tax issues faced by federal, state and local governments.

FSLG Products

These items were created and are maintained by the office of Federal, State, and Local Governments specifically to address the federal tax concerns of governmental entities.

[Publication 963, Federal-State Reference Guide](#)
This publication provides government employers a comprehensive reference guide for Social Security and Medicare coverage and Federal Insurance Contributions Act (FICA) tax withholding issues.

[Publication 5137, Fringe Benefit Guide](#)
In-depth discussion of meal allowances, travel, transportation, moving expenses, education and other common fringe benefit situations for public employers.

[Publication 5138, Quick Reference Guide for Public Employers](#)
A brief guide to information reporting and employment tax rules, including social security coverage and fringe benefits, for government employers.

[Form 14581, FSLG Compliance Self-Assessment](#)
This tool provides a "checklist" form to allow you to determine your level of compliance with Federal tax laws.

[FSLG Toolkit](#)
This web-based contains a collection of links to all essential Federal tax materials for all employers. This Toolkit contains four subsections to address: Public employers, Government Entity Compliance, Government Retirement Plans, and International Issues.

General IRS Publications

The products below are general IRS publications for employers. With few exceptions, the material in these publications is applicable to all employers, governmental or private.

[Publication 15, Employer's Tax Guide \(Circular E\)](#)
[Publication 15-A, Employer's Supplemental Tax Guide](#)
[Publication 15-B, Fringe Benefit Tax Guide](#)

[IRS Forms and Publications Page](#)

Pub. 5137



January 2014

Fringe Benefit Guide

Office of Federal, State and Local Governments

Pub. 5138




February 2014

Quick Reference Guide for Public Employers

Office of Federal, State and Local Governments

IRS Video Portal

www.tax.gov/Governments/Employers



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TOPICS

[Bonds](#)[Tribes](#)[Employers](#)[Governmental Liaison](#)[Retirement Plans](#)[Safeguards](#)

Employers

Send us your comment

[Social Security Section 218 Agreements and Government Entity Restructuring - Webinar \(August 8, 2012\)](#)

1 month ago

VIDEO ~ 1 hr

Instruction regarding how to handle predecessor/successor situations; identifying and explaining each of the four types of situations and the effect each has on Social Security coverage: consolidations, annexations, hybrid consolidations, and miscellaneous transitions.

[Payments Made to Foreign Persons: A Basic Overview for Government Entities - Webinar \(May 12, 2011\)](#)

1 year ago

VIDEO ~ 1 hr

An overview of withholding, remitting, and reporting obligations related to payments to foreign persons. A review of useful reference materials, including IRS Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities and IRS Publication 519, Tax Guide for Aliens.

[Section 218 Tools, Tips and Compliance for Government Entities - Webinar \(January 27, 2011\)](#)

1 year ago

VIDEO ~ 1 hr

New to the requirements of State and Local § 218 agreements (or in need of a refresher)? Look no further! This webinar will show you the path to compliance and links to answer other questions you might have. Plus: The new Compliance Self-Assessment tool makes its video debut!

[Taxability of Certain Fringe Benefits for State and Local Governments - Webinar \(August 25, 2010\)](#)

2 years ago

VIDEO ~ 1 hr

The proper taxing of Fringe Benefits is a hot topic for government employers. View this educational presentation on what a fringe benefit is. Also, learn which fringe benefits are non-taxable and how to enter taxable fringe benefits properly on a W-2.

[1099 MISC Filing Requirements for State & Local Governments Webinar - Webinar \(March 30, 2010\)](#)

2 years ago

VIDEO ~ 1 hr

Get answers to commonly asked questions about 1099 MISC filing requirements for state and local governments.

Order Forms and Publications

- Call 1-800-829-3676
- Web: irs.gov

W-4

Form W-4 Department of the Treasury Internal Revenue Service		Employee's Withholding Allowance Certificate ▶ Whether you are entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.		OMB No. 1545-0074 2014	
1 Your first name and middle initial		Last name		2 Your social security number	
Home address (number and street or rural route)		3 <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate. Note. If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.			
City or town, state, and ZIP code		4 If your last name differs from that shown on your social security card, check here. You must call 1-800-772-1213 for a replacement card. ▶ <input type="checkbox"/>			
5 Total number of allowances you are claiming (from line H above or from the applicable worksheet on page 2)				5	
6 Additional amount, if any, you want withheld from each paycheck				6	\$
7 I claim exemption from withholding for 2014, and I certify that I meet both of the following conditions for exemption. <ul style="list-style-type: none"> • Last year I had a right to a refund of all federal income tax withheld because I had no tax liability, and • This year I expect a refund of all federal income tax withheld because I expect to have no tax liability. If you meet both conditions, write "Exempt" here ▶				7	
Under penalties of perjury, I declare that I have examined this certificate and, to the best of my knowledge and belief, it is true, correct, and complete.					
Employee's signature (This form is not valid unless you sign it.) ▶				Date ▶	
8 Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.)		9 Office code (optional)		10 Employer identification number (EIN)	

For Privacy Act and Paperwork Reduction Act Notice, see page 2.

Cat. No. 10220Q

Form **W-4** (2014)

2014

Instructions for Form 1099-MISC

Miscellaneous Income

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Form 1099-MISC and its instructions, such as legislation enacted after they were published, go to www.irs.gov/form1099misc.

What's New

Boxes 11, Foreign tax paid, and 12, Foreign country or U.S. possession. We deleted Boxes 11, Foreign tax paid, and 12, Foreign country or U.S. possession. This information is reported on Form 8966, Foreign Asset Tax Compliance Act Report.

Reminder

In addition to these specific instructions, you should also use the 2014 General Instructions for Certain Information Returns. Those general instructions include information about the following topics.

- Who must file (nominee/middleman).
- When and where to file.
- Electronic reporting requirements.
- Corrected and void returns.
- Statements to recipients.
- Taxpayer identification numbers.
- Backup withholding.
- Penalties.
- Other general topics.

You can get the general instructions from www.irs.gov/form1099misc or by calling 1-800-TAX-FORM (1-800-829-3676).

Specific Instructions

File Form 1099-MISC, Miscellaneous Income, for each person to whom you have paid during the year:

- At least \$10 in royalties (see the instructions for box 2) or broker payments in lieu of dividends or tax-exempt interest (see the instructions for box 8);
- At least \$600 in rents, services (including parts and materials), prizes and awards, other income payments, medical and health care payments, crop insurance proceeds, cash payments for fish (or other aquatic life) you purchase from anyone engaged in the trade or business of catching fish, or, generally, the cash paid from a notional principal contract to an individual, partnership, or estate;
- Any fishing boat proceeds; or
- Gross proceeds of \$600 or more paid to an attorney. See *Payments to attorneys*, later.

In addition, use Form 1099-MISC to report that you made direct sales of at least \$5,000 of consumer products to a buyer for resale anywhere other than a permanent retail

person from whom you have received the backup withholding of the payment.



Be sure to report because the IRS will check whether the recipient is a person from whom you have received the backup withholding of the payment.

Trade or business reportable. Report Form 1099-MISC only when you are a trade or business. You are engaged in a trade or business if you operate for gain or profit. You are considered to be engaged in a trade or business if you are subject to these reporting requirements. You are not subject to these reporting requirements if you are a qualified pension or profit-sharing plan, an organization exempt from federal income tax, a farmers' cooperative under section 521, or a widely held fixed investment fund, state, or local government.

Exceptions. Some payments are not reportable on Form 1099-MISC, although they are reportable on other forms. Payments for the following are not reportable on Form 1099-MISC:

- Generally, payments to a corporation.
- Payments for merchandise, storage, and similar items.
- Payments of rent to a tenant who must use Form 1041 to report the property owner's share of the income.
- Wages paid to employees (report on Form W-2).
- Military differential wages while they are on active uniformed services (report on Form W-2).
- Business travel allowances reportable on Form W-2.
- Cost of current life insurance (report on Form W-2 or Form 1099-R, Distribution of Retirement or Profit-Sharing Plan Payments, etc.).
- Payments to a tax-exempt trust (IRAs, ESAs), the United States, U.S. possession, or a foreign country.
- Payments made to or for the benefit of the Hardest Hit Fund or the Payroll Protection Program or similar state or local program.

Form 1099-K. Payment card and certain

2014

General Instructions for Forms W-2 and W-3

(Including Forms W-2AS, W-2CM, W-2GU, W-2VI, W-3SS, W-2c, and W-3c)

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Section references are to the Internal Revenue Code unless otherwise noted.

What's New

Forms W-3, W-3SS, and W-3c. The title of the Contact name, Telephone number, Email address, and Fax number boxes on Forms W-3, W-3SS, and W-3c (Rev. 8-2013) has been changed to the Employer's contact person, Employer's telephone number, Employer's email address, and Employer's fax number, respectively. On Forms W-3, W-3SS, and W-3c (Rev. 8-2013), the Employer's fax number box has been replaced with the Employer's email address box to allow for a longer employer's email address.

Future developments. Information about any future developments affecting Forms W-2 and W-3 and their instructions (such as legislation enacted after we release them) will be posted at www.irs.gov/w2.

Returned wage reports from the Social Security Administration (SSA). Effective January 2015, the SSA will return Form W-2 electronic and paper wage reports under the following conditions:

- Medicare wages and tips are less than the sum of social security wages and social security tips,
- Social security tax is greater than zero; social security wages and social security tips are equal to zero, and
- Medicare tax is greater than zero; Medicare wages and tips are equal to zero.



Department of the Treasury
Internal Revenue Service

Additionally, Forms W-2 and W-2c electronic and paper wage reports for household employers will be returned under the following conditions:

- The sum of social security wages and social security tips is less than the minimum yearly earnings subject to social security and Medicare tax withholding for a household employee, and
- The Medicare wages and tips are less than the minimum yearly earnings subject to social security and Medicare tax withholding for a household employee.

If the above conditions occur in an electronic wage report, the SSA will notify the submitter by email or postal mail to correct the report and resubmit it to the SSA. If the above conditions occur in a paper wage report, the SSA will notify the employer by email or postal mail to correct the report and resubmit it to the SSA.

Household employers, see Pub. 926, Household Employer's Tax Guide.

Third-party sick pay recap reporting. The IRS expects to change the third-party sick pay recap reporting and filing requirements for wages paid in 2014. Information about this change will be included in the 2014 Publication 15-A, Employer's Supplemental Tax Guide (Supplement to Circular E, Employer's Tax Guide, Publication 15) and other relevant tax products.

Reminders



Get it done faster...
E-file your Forms W-2 and W-2c with the SSA.

See E-filing.

\$2,500 limit on health flexible spending arrangement (FSA). For plan years beginning after December 31, 2012, a cafeteria plan may not allow an employee to request salary reduction contributions for a health FSA in excess of \$2,500. For more information, see *Health flexible spending arrangement (FSA)*.

Additional Medicare Tax. Beginning January 1, 2013, an employer is required to withhold a 0.9% Additional Medicare Tax on any Federal Insurance Contributions Act (FICA) wages or Railroad Retirement Act (RRTA) compensation it pays to an employee in excess of \$200,000 in a calendar year. An employer is required to begin withholding Additional Medicare Tax in the pay period in which it pays wages or compensation in excess of \$200,000 to an employee and continue to withhold it until the end of the calendar year. Additional Medicare Tax is only imposed on the employee. There is no employer share of Additional Medicare Tax. All wages and compensation that are subject to Medicare tax are

W-2/1099 hints

- If filing paper, do not type over the lines
- First name, Last Name

Trust Fund Recovery Penalty

- If federal income, social security, or Medicare taxes that must be withheld are not withheld or are not deposited or paid to the United States Treasury, the trust fund recovery penalty may apply.
- Penalty is the full amount of the unpaid trust fund tax.
- May be imposed on all persons who are responsible for collecting, accounting for, and paying over these taxes

Do the F941s reconcile to the
W-2s?

Reconciling Forms W-2, W-3, and 941 in
Pub 15, section 12. Filing Form 941 or 944

Form 941

- Form packets are no longer being mailed
- Read F941 instructions
- Final Return – complete Part 3
- Sign return
- Pub 4341, Information Guide for Employers Filing Form 941 or 944
- Mailing address:
 - w/o payment: Department of the Treasury
Internal Revenue Service
Ogden, UT 84201-0005
 - w/payment: Internal Revenue Service
P.O. Box 105083
Atlanta, GA 30348-5273

Form 941-X

- Use to correct an error on previously filed F941
- Use to claim refunds or abatements of employment taxes
- File separate F941-X for each F941 that you are correcting
- Mail each F941-X separately
- If applicable, also file W-2, W-2C and/or F1099
- Mailing address: Department of the Treasury
Internal Revenue Service
Ogden, UT 84201-0005

Definition and Taxability of Fringe Benefits

- A fringe benefit is a **form of pay** for the performance of services.
 - Property,
 - Services,
 - Cash or Cash Equivalent
- **All** fringe benefits are taxable and must be included in the recipients pay unless the law **specifically** excludes it.

Impact of Noncompliance

- Consider...
- Errors in the treatment of fringe benefits can result in:
 - Penalties, interest and back taxes
 - Correcting Forms W-2, 941
 - Confusion to the taxpayer

Clerk (or any other responsible person) can be held personally liable for a penalty equal to the tax due for willfully failing to withhold, deposit or pay over employment taxes on wages, including fringe benefits.

Allowances and Reimbursements

- Allowances or reimbursements are non-taxable to the employee if certain requirements are met:
 - There must be a business connection to the expenditure
 - If not reimbursed by the employer, it would be deductible on form 1040 as a business expense
 - There must be adequate accounting by the recipient in a reasonable period of time
 - Excess reimbursements or advances must be returned within a reasonable period of time
- This is considered an **Accountable Plan**

Nonaccountable Plans

- Nonaccountable plans require no initial or timely substantiation by the employee of the benefit provided.
- Payments or advances made under a non-accountable plan are taxable when paid.
- Employee can still deduct on his or her personal taxes (assuming they can substantiate qualified expenses).
However, social security and Medicare taxes withheld are nonrefundable.

Employer Provided Vehicles

- Verified business use is nontaxable to the employee if accounting rules followed
- Personal use is taxable to the employee as wages
- Employer can opt to include all use as wages

Employer Provided Vehicles (Cont'd)

- Separate records of business and personal mileage are required.
- Only personal use is taxable.
- If records are not maintained, then 100% of the use of the vehicle is taxable and the employee can utilize personal form 1040 for deductions.
- There are exceptions:

Meals

- Day meals are taxable.
- Meals are nontaxable if travel must be away from home overnight (Fed per diem max, www.gsa.gov/perdiem)
- Meals are excludable from wages of the employee if they are provided:
 - On the employer's business premises, and
 - For the employer's convenience.

Cell Phones

- No longer listed property
- If an allowance, must follow accountable plan rules to be nontaxable

Work Clothes, Uniform Allowances and Reimbursements

- Excluded if:
 - Specifically required as a condition of employment
 - AND
 - Not worn or adaptable to general usage as ordinary clothing
 - Rules of Accountable Plan must be met
 - If you want an official ruling by the IRS, you should follow the instructions provided in Revenue Procedure 2014-1, which is available at most IRS offices and in some libraries.

Withholding and Depositing Taxes

- Can either add benefits to regular wages and figure taxes on the total, or
- Withhold at a flat 25% (supplemental rate).
 - You may need to consult with your software vendor for the best approach for your community.

Fringe Benefits for Independent Contractors

- Generally, the taxability of fringe benefits or reimbursements paid to independent contractors is similar to that for employees. However, different withholding and reporting requirements apply to these workers. *Reg. §1.132-1(b)(2)(iv)*
- *Note: IC are not eligible for qualified transportation fringe benefits, discussed in section 7. Reg §1.132-9(b) Q-5*

Fringe Benefits- Exercise

Jack Armstrong is a Superintendent. He receives a monthly travel allowance of \$350.00. During March, he incurred the following expenses and provided substantiation for all of the expenses. His total expenses were \$300.00. He did not return any of the allowance to the employer. The school has an accountable plan.

- \$200 Reimbursement for business use of his auto (Jack furnished a log showing all business usage and calculated the mileage at the federal rate)
- \$75 reimbursement for business meals or while away overnight (Jack furnish receipts and time, place, requirements of Internal Revenue Code 274(d))
- \$25 lunches while away from the office during day trips

Total \$300

- 1)How much of the allowance is income to Jack?
- 2)Why?
- 3)How much is income to Jack if he returns the excess?
- 4)If all payments are made in accordance with the accountable plan rules, how is the allowance reported?

Fringe Benefits - Answer

- 1) \$75
- 2) Because \$25 is non-deductible personal expense, and because he did not return the other excess reimbursements
- 3) 0 if he return \$75 (Note: he received \$350 but only substantiated \$275)
- 4) Nothing is reported if excess is returned because he has met all accountable plan rules. If he does not return the excess \$75 is wages.

BOOSTER CLUBS

- UNLESS BOOSTER CLUBS HAVE THEIR OWN IDENTITY, THE SCHOOLS ARE RESPONSIBLE FOR ENSURING THAT ALL INFORMATION REPORTING REQUIREMENTS ARE MET.

Sanctioned or Non-sanctioned Clubs

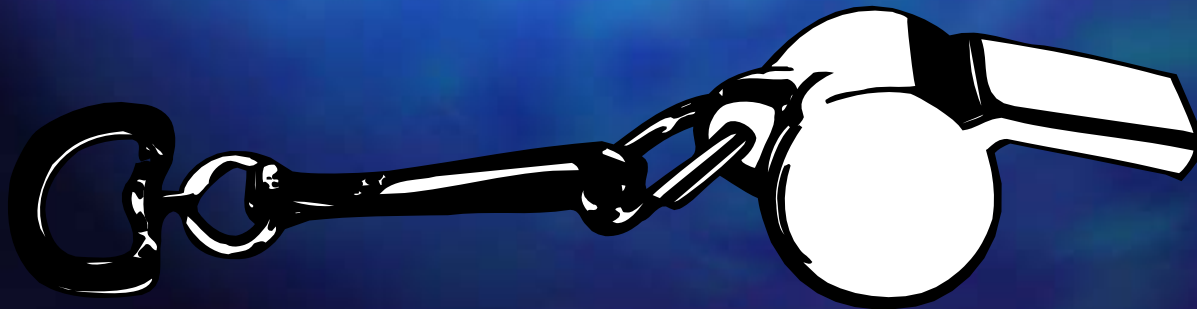
- Title 70 of OS Code specifies that student activity funds and clubs must be sanctioned or non-sanctioned.
- Determined yearly.
- If a club is sanctioned, that means that the school has confidence in the operation of the club that ordinary financial controls will be met and therefore they certify or sanction the club to operate independently. However, the school retains the right to review their books and records.
- A non-sanctioned club must be operated through the books and records of the school (ACTIVITY FUND)

Booster Clubs - wages

- THE SCHOOLS NEED TO ENSURE THAT WAGES PAID TO SCHOOL EMPLOYEES OR EMPLOYEES OF THE BOOSTER CLUBS ARE PROPERLY REPORTED AND PAYROLL TAXES PAID.
- FRINGE BENEFITS, BONUSES OR OTHER ITEMS OF COMPENSATION ARE WAGES TO EMPLOYEES.

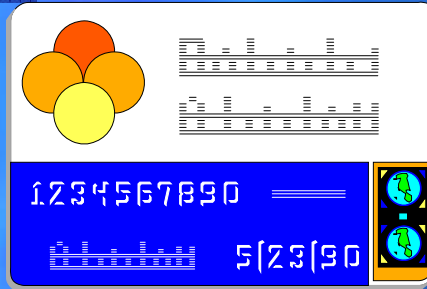
Noncash Fringe Benefits

- Clothes – sports shirts, T-shirts, pants, jackets, coats, hats, shoes, etc.
- Sports equipment – whistles, stop watches, etc.

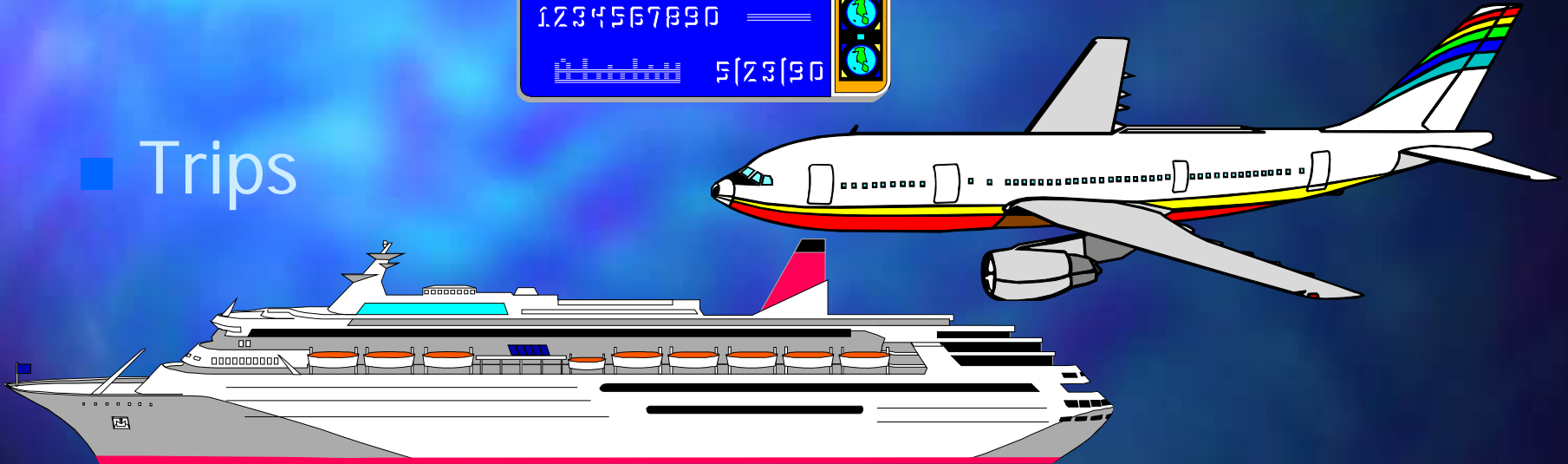


Noncash Fringe Benefits

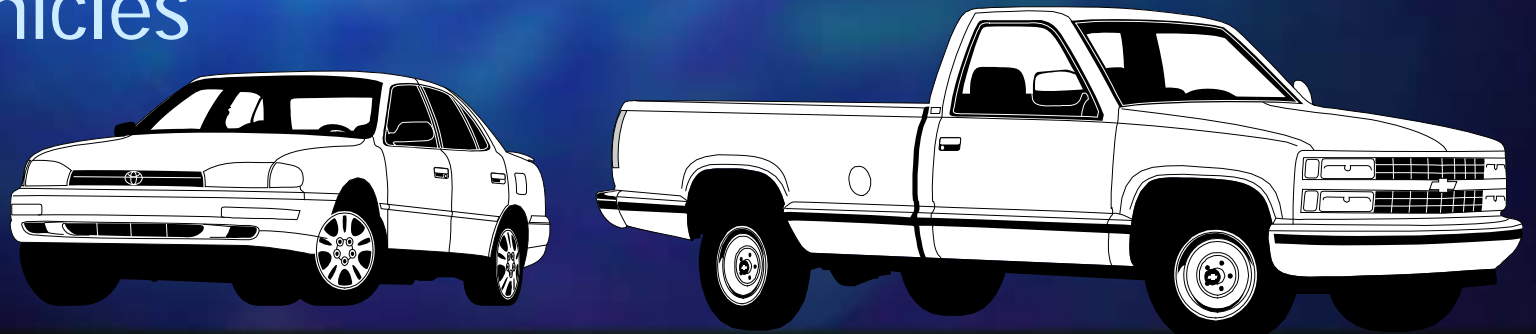
- Gift Cards



- Trips



- Vehicles



Booster Clubs - wages

- If the club pays bonuses or wages to an employee of the school – the school must include the payments on their payroll.
- If the club hires persons to coach or instruct or train students and their services meet the common law factors (Pub 1779), then these workers are employees – then the school is considered the employer for purposes of reporting wages.

Fundraising - Student Prizes

- Non-sanctioned clubs are under the 'umbrella' of rules for the school – students are volunteers

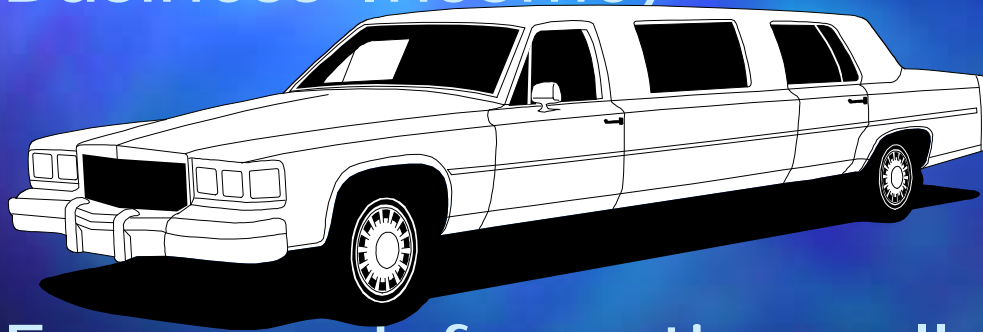
Fundraising - Student Prizes

- Sanctioned club – minimal prize amounts, candy bars, trinket jewelry, etc. No problem.



Fundraising - Student Prizes

- Sanctioned club - Larger prizes -- might make student not a volunteer but could be deemed a paid person. UBI (Unrelated Business Income)



- For more information call EO Hotline, 877-829-5500, www.irs.gov/eo

Having a Raffle?

- Pub 3079
- Prize may be subject to 25% withholding if winnings \$5,000 or more
- A Form W-2G required if \$600 or more, and payout is 300 times the wager

Reportable payments – Form 1099MISC

If the club is not a separate entity, then the school it is related to is responsible for reporting payments to vendors

Overview of the 1099 Process

- Solicitation of Form W-9
- Keeping Track of Payments to Vendors
- Backup Withhold from Vendor Payments, if necessary
- Issue Forms 1099
- File 945 if Backup Withholding was Required

Form W-9

- Revision 8-2013 available
- Social Security Numbers should have a person's name on Name line
- Acronyms may need to be spelled out
- TINs are 9 numbers

WHAT IS BACKUP WITHHOLDING

Payors must withhold 28% of certain taxable payments if the payee fails to furnish the payor with their correct taxpayer identification number (TIN). This is referred to as "BACKUP WITHHOLDING."
(IRC 3406), Pub 1281

Defining Backup Withholding (BWH)

BWH is REQUIRED by the PAYOR when Aggregate reportable payments for the calendar year equal or exceed \$600 &

- The PAYEE has not provided a TIN to the PAYOR or
- PAYOR has been advised to BWH by an IRS Notice or
- If the PAYEE has given the PAYOR an "OBVIOUSLY INCORRECT" TIN

Defining Backup Withholding (BWH)

OBVIOUSLY INCORRECT TINs (Per IRS)

- Too few or too many numerals (ex. 123-45-678, 12-34567892)
- Non-numeric characters in TIN (ex. 123-45-&789, 12-345678B)
- These are considered "*MISSING TINs*" for CP2100 Purposes

[Ref Pub 1281, page 5, question 7]

When to end Backup Withholding

- Failure to Furnish TIN
 - Withhold on payments made until the TIN is furnished
- Notice from IRS
 - (“B” Notice)
 - Stop within 30 days after you receive a certified Form W-9



Form 1099-MISC, Miscellaneous Income

- File form if you have paid:
 - \$10 or more in royalties or broker payments in lieu of dividends or tax-exempt interest
 - \$600 or more, annually
 - Rents – equipment, buildings, etc.
 - Services of persons who are not employees (including parts and materials) Examples: bus services, security, concession workers or repairs, trainers, etc.
 - Prizes or awards (no purchase)
 - Medical or health care payments
 - Gross proceeds to an attorney
 - Certain other income

Not Reported on Form 1099-MISC

- Payments to a corporation
 - Exceptions- attorney fees & medical payments
- Payments for merchandise only * * * *
- Payments of rent to real estate agents
- Wages to employees (W2)
- Business travel allowances to employees (accountable)
(nonaccountable – W2)
- Business expense reimbursements (accountable)
(nonaccountable – W2)
- Scholarships
- Payments to the U.S., states, D.C., a possession of the U.S. and political subdivisions of these

Form 1099-MISC Requirements

- Due dates
 - To recipient- January 31st
 - To IRS- February 28th
 - (electronic- March 31st)
- Submit the entire page even if only one of the forms is completed correctly
- Include telephone number of contact person
- Form 1096 cover sheet



1099 Exercises

Would you file a 1099 for these payments? Type of 1099 (MISC or INT)

1. \$400 to Jim Jones for services
2. \$200 to Jim Jones for interest
3. \$300 for office supplies purchased from an unincorporated vendor
4. \$750 for office supplies purchased from an unincorporated vendor
5. \$601 to Dr. Jan Smith for medical services
6. \$30,000 to Mr. Fred Johnson, esq., Inc, a legal settlement
7. \$1,000,000 to Jessie Bowen and Brown & Smith Attorneys at Law, Inc., a legal settlement

1099 Exercises

8. \$650 to Sally Jones and Jack Smith, Partnership for physical therapy services
9. \$1,500 to A & C Air Conditioner Service (parts and labor)

A & C Air Conditioner Services LLC

A & C Air Conditioner Services Inc.

10. \$25,000 to an unincorporated attorney for his services
11. \$25,000 to an incorporated attorney for his services
12. \$3,000 to Drug Testing Inc. for lab tests
13. \$6,000 to Danny Jackson for lawn care
14. \$1500 paid to an employee of the county for fringe benefits (travel allowances)

Exercise - answers

1. No (but also see #2)
2. Yes. You must consider all reportable payments (see #1). Since this taxpayer received \$600 or more in total reportable payments, then he would receive a 1099INT for the interest and a 1099 MISC for the payments for services.
3. No - supplies
4. No – supplies – even if \$600 or more
5. Yes, Box 6
6. Yes, box 14
7. Yes, box 14
8. Yes, box 6
9. If LLC, then you must determine its tax reporting status (individual, partnership or corp). If it is a corporation, then no 1099 is required.
10. Yes, box 7
11. Yes, box 7
12. Yes, box 6
13. Yes, box 7
14. No, if taxable, it is reportable on W-2

Information Return Penalties

Forms W-2 and 1099



Penalties

IRC §		Rtn after 1/1/11
6721	Failure to File Correct Information Returns	\$100
6722	Failure to Furnish Correct Payee Statements	\$100
6723	Failure to Comply with Other Information Reporting Requirements	\$100
6722(c)	Intentional disregard in not furnishing payee statements	\$250
6682	Making a false statement regarding withholding	\$500
BA 1/1/2012 – Annual adjusted for inflation		

TIN Matching Program

- Allows payers or authorized agents required to file information returns for income subject to backup withholding to match TIN and name combinations
- Information returns are Forms 1099-INT, DIV, OID, PATR, B and/or MISC.



e-Services

- Method of Electronic Communication with IRS
- Available 24 hours a day, 7 days a week
- Accessed at: www.irs.gov/Tax-Professionals/e-services---Online-Tools-for-Tax-Professionals

Registration Application

Available to Payers of Information Returns

- Taxpayer Identification Number Matching (TIN)

**Everyone who uses
e-Services must be
REGISTERED.**



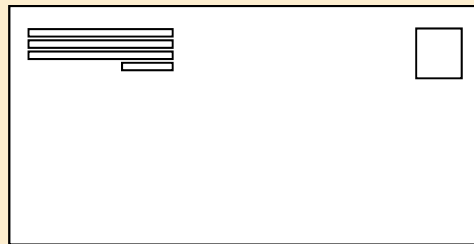
Registration Application

1



**Register as Self
with Personal
Information**

2



**Wait for confirmation
by mail**

3



- **Confirm registration using
IRS confirmation code**
- **Begin using e-services**
- **Delegate others if authorized**

Registration Application

[Registration Services Menu](#) > [Registration Success](#)

Registration Success

Registration Received and Successfully Processed

Congratulations!

Your initial registration information has been received and successfully processed. In the next few days, you should receive a letter via U.S. mail from the IRS. This letter will contain a confirmation code and instructions for completing the e-services confirmation process. You will have 28 days from the date of the letter to complete the confirmation process. If you do not complete this confirmation process within 28 days of the date of the letter, your account will be deactivated and you will be required to repeat the entire registration process.

Until you complete the confirmation process, your access to e-services is restricted to the following functions only:

- If you are a Tax Professional, you may [apply for a PTIN](#)
- You may also [update your Registration data](#)

You may also do the following:

- Select *Return to Registration Services Menu* to make another selection.
- Select *Return to e-services* to view the tax professionals page.

[Return to Registration Services Menu](#)

[Return to e-services](#)

[e-services Privacy Policy](#)

**Next...Look for the
confirmation letter.**

Registration Application

electronic **irs**

[Registration Services Menu](#) > Confirm Registration

Confirm Registration

To complete your registration, please enter your confirmation code as it appears in the letter you received by mail.

Please note: You must perform this process once after you register and again if you request a Forgotten Password or PIN.

Confirmation Code (Required):

 .

You may do the following:

- Select *Submit Request* once you type in your confirmation code.

Submit Request

After clicking on "Confirm", sign in and enter the confirmation code, and "Submit".

Taxpayer Identification Number (TIN) Matching

TIN Matching Application is Limited To:

Payers or *Authorized Agents* who have

- Filed information returns in **one of the past two tax years** with the IRS, and are
- Listed in the **IRS Payer Account File (PAF)** database.



System Description

- Requests can be submitted in two ways, via the web
 - Interactive session
 - Limited to 25 requests
 - Results provided in 5 seconds
 - Bulk request submitted
 - Limited to 100,000 requests per batch
 - Responses sent to requestor's secure electronic mailbox address within 24 hours
 - Placed in mailbox for 30 calendar days or 3 days after reading



Responses to Match Request

- TIN and name combination match IRS records- Indicator 0
- Missing a TIN or TIN is not a nine digit numeric- Indicator 1
- TIN not currently issued- Indicator 2
- TIN and name combination do not match- Indicator 3
- Invalid request- Indicator 4
- Duplicate request- Indicator 5



Need Assistance w/TIN Matching



e-Help Desk

1-866-255-0654

Or

irs.e-helpmail@irs.gov



The background is an abstract, textured field of blue and purple hues, resembling a nebula or a close-up of a galaxy. A thin, dark horizontal bar with a fine, repeating pattern is positioned in the upper left quadrant. The word "Questions" is centered in a large, white, sans-serif font.

Questions