

Federal, State and Local Governments – Quick Links for Government Entities

Toll-free telephone number for governmental entities: 1-877-829-5500

Email question to: tege.ask.fslg@irs.gov

- Account-related questions.
- Request for affirmation letter of tax exemption.
- Request for private letter ruling.

Toll-free telephone number for Martinsburg Computing Center (MCC): 1-866-455-7438

Email questions to: inccirp@irs.gov

Questions concerning filing requirements and procedures for issuers of information returns (including any Form 1099) may contact the Martinsburg Computing Center from 8:30 am to 4:30 pm Eastern Time, Monday thru Friday.

Federal, State and Local Governments (FSLG) – Web portal for governmental entities to obtain federal tax information, including current news and tax law updates

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

FSLG Newsletters – Semiannual newsletters containing information on current developments and upcoming events of interest to government entities

<http://www.irs.gov/Government-Entities/Federal,-State-&-Local-Governments/Current-Edition-of-the-FSLG-Newsletter>

FSLG Customer Services – A variety of methods in which government entities can contact the IRS with account-related questions.

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

FSLG Toolkits – Information, publications and forms for specific tax areas of concern to government entities.

- **Public Employer's Toolkit:** <http://www.irs.gov/Government-Entities/Federal,-State-&-Local-Governments/Public-Employers-Toolkit>
- **Government Entity Compliance Toolkit:** <http://www.irs.gov/Government-Entities/Federal,-State-&-Local-Governments/Government-Entity-Compliance-Toolkit>
- **Government Retirement Plans Toolkit:** <http://www.irs.gov/Government-Entities/Federal,-State-&-Local-Governments/Government-Retirement-Plans-Toolkit>
- **International Withholding Issues Toolkit:** <http://www.irs.gov/Government-Entities/Federal,-State-&-Local-Governments/International-Withholding-Issues-Toolkit>
- **Compliance Self-Assessment Tool – Form 14581:** <http://www.irs.gov/Government-Entities/Federal,-State-&-Local-Governments/Compliance-Self-Assessment-Tool-Available>

E-News Subscriptions – A variety of topics to which a user may subscribe to stay informed on new developments, issues, etc.

<http://www.irs.gov/newsroom/content/0,,id=103381,00.html>

e-services – Online Tools for Tax Professionals

Web-based products that allow tax professionals and payers to conduct business with the IRS electronically, available only to approved IRS business partners and not to the general public. e-Services is available via the internet 24 hours a day, 7 days a week.

<http://www.irs.gov/taxpros/article/0,,id=109646,00.html>

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TIN Matching Program – requires registration – available through **Online Tools for Tax Professionals** – use to match Taxpayer Identification Numbers (TINs) against those provided by vendors, contractors, medical, legal and other service providers (confirm numbers provided on Forms W-9). Use of this system will help your governmental entity avoid CP 2100 notices for unassigned, invalid or TIN-Name mismatches.

Publication 2108A – <http://www.irs.gov/pub/irs-pdf/p2108a.pdf>

SSA – Business Services Online – Requires registration – provides for electronic filing of Forms W-2 as well as Social Security Number matching to ensure SSNs provided by employees are valid.

<http://www.socialsecurity.gov/bsowelcome.htm>

SSA – State and Local Coverage Handbook – Provides comprehensive information on Social Security and Medicare coverage provisions, including Section 218.

<https://secure.ssa.gov/apps10/poms.nsf/chapterlist!openview&restricttcategory=19>

I-9 – Central – U.S. Citizenship and Immigration Services – Instructions for completing Form I-9, Acceptable Documents, Retaining and Storing Form I-9; E-Verify; Customer Support

<http://www.uscis.gov/portal/site/uscis/menuitem.eb1d4c2a3e5b9ac89243c6a7543f6d1a/?vgnextoid=84c267ee5cb38210VgnVCM100000082ca60aRCRD&vgnnextchannel=84c267ee5cb38210VgnVCM100000082ca60aRCRD>

FSLG FAQs

Frequently Asked Questions on a variety of topics of interest to government entities

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

[Cafeteria Plans](#) | [Meal and Vehicle Expenses](#) | [Retirement Plan Issues](#) | [Miscellaneous Reporting Issues](#)

Issues for Government Entities – Fact Sheets on Many Topics

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

- | | |
|--|---|
| <ul style="list-style-type: none">• Backup Withholding• Communications Tax• Continuing Employment Exception (Medicare)• De Minimis Fringe Benefits Employer “Pick-Up” Contributions to Benefit Plans• Elected / Appointed Officials• Employees / Contractors• FSLG Examination Process• Fuel Tax Exemptions• Government Plans• Group Life Insurance | <ul style="list-style-type: none">• Information Letter Concerning Tax-Exempt Status• Is My Entity a Government Entity?• Issues for Firefighters• Payment Card Reporting• Rehired Annuitants• Section 218 Agreements• State Legislator Travel• TIN On-Line Matching• Unrelated Business Income• Voluntary Classification Settlement Program |
|--|---|

Frequently Used Publications

IRS Forms and Publications

<http://www.irs.gov/Forms-&-Pubs>

Publication Number, Title, URL	Table of Contents
Publication 15 (Circular E) Employer's Tax Guide http://www.irs.gov/pub/irs-pdf/p15.pdf	<ul style="list-style-type: none">• Employer Identification Number (EIN)• Who Are Employees?• Family Employees• Employee's Social Security Number (SSN)• Wages & Other Compensation• Tips• Supplemental Wages• Payroll Period• Withholding From Employees' Wages• Required Notice to Employees about the Earned Income Tax Credit (EIC)• Depositing Taxes• Filing Form 941 or Form 944• Reporting Adjustments to Form 941 or Form 944• Federal Unemployment (FUTA) Tax• Special Rules for Various Types of Services & Payments• How to Use the Income Tax Withholding Tables
Publication 15-A Employer's Supplemental Tax Guide http://www.irs.gov/pub/irs-pdf/p15a.pdf	<ul style="list-style-type: none">• Who Are Employees?• Employee or Independent Contractor?• Employees of Exempt Organizations• Religious Exemptions and Special Rules for Ministers• Sick Pay Reporting• Special Rules for Paying Taxes• Pensions & Annuities• Alternative Methods for Figuring Withholding• Formula Tables for Percentage Method Withholding (for Automated Payroll Systems)• Wage Bracket Percentage Method Tables (For Automated Payroll Systems)• Combined FIT, EE Social Security & EE Medicare Withholding Tables• Tables for Withholding on Distributions of Indian Gaming Profits to Tribal Members
Publication 15-B Employer's Tax Guide to Fringe Benefits http://www.irs.gov/pub/irs-pdf/p15b.pdf	<ul style="list-style-type: none">• Fringe Benefit Overview• Fringe Benefit Exclusion Rules• Fringe Benefit Valuation Rules• Rules for Withholding, Depositing & Reporting

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General Instructions for Forms W-2 and W-3 Including Forms W-2AS, W-2GU, W-2VI, W-3SS, W-2c, and W-3c http://www.irs.gov/pub/irs-pdf/iw2w3.pdf	<ul style="list-style-type: none">• What's New• Reminders• Need Help?• How to Get Forms & Publications• Common Errors on Forms W-2• General Instructions for Forms W-2 & W-3• Specific Instructions for Form W-3• General Instructions for Forms W-2c and W-3c• Specific Instructions for Form W-2c• Specific Instructions for Form W-3c
General Instructions for Information Returns http://www.irs.gov/pub/irs-pdf/i1099gi.pdf	Forms 1097, 1098, 1099, 3921, 3922, 5498 & W-2G <ul style="list-style-type: none">• Who Must File• Other Information Returns• When to File• Where to File• Filing Returns with the IRS• Electronic Reporting• Paper Document Reporting• Corrected Returns on Paper Forms• Void Returns• Recipient Names and Taxpayer Identification Numbers (TINs)• Filer's Name, Identification Number and Address• Account Number Box on Forms• Statements to Recipients• Backup Withholding• Penalties• Payments to Corporations and Partnerships• Earnings on Any IRA, Coverdell ESA, Archer MSA or HAS• Certain Grantor Trusts• Special Rules for Reporting Payments Made through Foreign Flow-Through Entities on Form 1099
Publication 463 Travel, Entertainment, Gift and Car Expenses http://www.irs.gov/pub/irs-pdf/p463.pdf	<ul style="list-style-type: none">• Travel• Entertainment• Gifts• Transportation• Recordkeeping• How to Report
Publication 963 Federal-State Reference Guide http://www.irs.gov/pub/irs-pdf/p963.pdf	<ul style="list-style-type: none">• Social Security & Government Entities• Government Entities & Federal Taxes• Wage Reporting & Employment Taxes• Determining Worker Status• Social Security & Medicare Coverage• Social Security & Public Retirement Systems• Social Security Administration• Internal Revenue Service• Social Security Administrators

Federal, State and Local Governments – Quick Links for Government Entities

<p>Publication 1281 Backup Withholding for Missing and Incorrect Names and TINs</p> <p>http://www.irs.gov/pub/irs-pdf/p1281.pdf</p>	<ul style="list-style-type: none">• Introductions – Backup Withholding Rates / Effective Dates• Frequently Asked Questions• Where to Call for Help• Actions for Missing TINs and Incorrect Name/TIN Combinations: CP2100 Notice; Missing TINs; Incorrect Name/TIN Combination; First & Second “B” Notice; Third & Subsequent Notices• The IRS Matching Process / Name Controls• Flow Charts: First & Second “B” Notices• Name Compression Specifications for “B” Notice Tape Cartridge• Instructions for Reading Tape Cartridges• Instructions for Reading CD/DVD Media• Other Forms: Form W-9; Form W-8 Series & Instructions
<p>Publication 5137 ** NEW in 2014 ** Fringe Benefit Guide Office of Federal, State and Local Governments</p> <p>http://www.irs.gov/pub/irs-pdf/p5137.pdf</p>	<ul style="list-style-type: none">• Reporting and Withholding• Working Condition Fringe Benefits• De Minimis Fringe Benefits• No-Additional Cost Fringe Benefits• Qualified Employee Discounts• Qualified Transportation Fringe Benefit (QTF)• Health and Medical Benefits• Travel Expenses• Transportation Expenses• Moving Expenses• Meals and Lodging• Reimbursements for use of Employee Vehicle• Employer-Provided Vehicles• Equipment and Allowances• Awards and Prizes• Professional Licenses and Dues• Educational Reimbursements and Allowances• Dependent Care Assistance• Group Term Life Insurance• Fringe Benefits for Volunteers• Fringe Benefits for Independent Contractors
<p>Publication 5138 ** NEW in 2014 ** Quick Reference Guide for Public Employers Office of Federal, State and Local Governments</p> <p>http://www.irs.gov/pub/irs-pdf/p5138.pdf</p>	<ul style="list-style-type: none">• Compensation• Social Security and Medicare Coverage• Public Retirement Systems• Retirement Plans• Fee-Based Public Officials• Special Situations for Public Workers• Fringe Benefits• Information Reporting• Backup Withholding• Key Dates – Section 218• Social Security Coverage Flowchart• Medicare Coverage Flowchart

IRS Video Portal

Recorded Webinars and Phone Forums on a Variety of Topics of Interest for Government Entities

<http://www.tax.gov/Governments/Employers>

- ACA Provisions – What you Need to Know
- Avoiding Information Reporting Problems
- Avoiding Interest and Penalties
- Backup Withholding for Form 1099-MISC
- Employment Tax Issues
- FICA Replacement Plans
- Form 1099-G – Furnishing Electronically
- Form 1099-MISC Filing Requirements
- Furnishing Form 1099-G Electronically
- Payments to Foreign Persons – Overview
- Section 218 Agreements and Restructuring
- Section 218 Tools and Tips
- Taxability of Certain Fringe Benefits
- Travel Reimbursement Policies
- Unique Employment Tax Issues for GEs
- Worker Classification

Retirement Plans

<http://www.tax.gov/Governments/RetirementPlans>



Form W-2 Reporting of Employer-Sponsored Health Coverage

The Affordable Care Act requires employers to report the cost of coverage under an employer-sponsored group health plan. Reporting the cost of health care coverage on the Form W-2 does not mean that the coverage is taxable. The value of the employer's excludable contribution to health coverage continues to be excludable from an employee's income, and it is not taxable. This reporting is for informational purposes only and will provide employees useful and comparable consumer information on the cost of their health care coverage.

Employers that provide "applicable employer-sponsored coverage" under a group health plan are subject to the reporting requirement. This includes businesses, tax-exempt organizations, and federal, state and local government entities (except with respect to plans maintained primarily for members of the military and their families). However, federally recognized Indian tribal governments are not subject to this requirement.

Transition Relief

For certain employers, types of coverage and situations, there is transition relief from the requirement to report the value of coverage beginning with the 2012 Forms W-2. This transition relief applies to the 2013 Forms W-2 and will continue to apply to future calendar years until the IRS publishes additional guidance. (Note: employers generally are required to provide employees with the 2013 Forms W-2 in January 2014.) Any guidance that expands the reporting requirements will apply only to calendar years that start at least six months after the guidance is issued. See the "Optional Reporting" column in the below chart for the employers, types of coverage, and situations eligible for the transition relief.

Reporting on the Form W-2

The value of the health care coverage will be reported in Box 12 of the Form W-2, with Code DD to identify the amount. There is no reporting on the Form W-3 of the total of these amounts for all the employer's employees.

In general, the amount reported should include both the portion paid by the employer and the portion paid by the employee. See the chart, below, and the questions and answers for more information.

An employer is not required to issue a Form W-2 solely to report the value of the health care coverage for retirees or other employees or former employees to whom the employer would not otherwise provide a Form W-2.

The chart below illustrates the types of coverage that employers must report on the Form W-2. Certain items are listed as "optional" based on transition relief provided by Notice 2012-9 (restating and clarifying Notice 2011-28). Future guidance may revise reporting requirements but will not be applicable until the tax year beginning at least six months after the date of issuance of such guidance.

The chart reviews the reporting requirements for Box 12, Code DD, and has no impact on requirements to report these items elsewhere. For example, while contributions to Health Savings Arrangements (HSA) are not to be reported in Box 12, Code DD, certain HSA contributions are reported in Box 12, Code W (see General Instructions for Forms W-2 and W-3).

Form W-2 Reporting of Employer-Sponsored Health Coverage			
Coverage Type	Form W-2, Box 12, Code DD		
	Report	Do Not Report	Optional
Major medical	X		
Dental or vision plan not integrated into another medical or health plan			X
Dental or vision plan which gives the choice of declining or electing and paying an additional premium			X
Health Flexible Spending Arrangement (FSA) funded solely by salary-reduction amounts		X	
Health FSA value for the plan year in excess of employee's cafeteria plan salary reductions for all qualified benefits	X		
Health Reimbursement Arrangement (HRA) contributions			X
Health Savings Arrangement (HSA) contributions (employer or employee)		X	
Archer Medical Savings Account (Archer MSA) contributions (employer or employee)		X	
Hospital indemnity or specified illness (insured or self-funded), paid on after-tax basis		X	
Hospital indemnity or specified illness (insured or	X		

or by employer			
Employee Assistance Plan (EAP) providing applicable employer-sponsored healthcare coverage	Required if employer charges a COBRA premium		Optional if employer does not charge a COBRA premium
On-site medical clinics providing applicable employer-sponsored healthcare coverage	Required if employer charges a COBRA premium		Optional if employer does not charge a COBRA premium
Wellness programs providing applicable employer-sponsored healthcare coverage	Required if employer charges a COBRA premium		Optional if employer does not charge a COBRA premium
Multi-employer plans			X
Domestic partner coverage included in gross income	X		
Governmental plans providing coverage primarily for members of the military and their families		X	
Federally recognized Indian tribal government plans and plans of tribally chartered corporations wholly owned by a federally recognized Indian tribal government		X	
Self-funded plans not subject to Federal COBRA			X
Accident or disability income		X	
Long-term care		X	
Liability insurance		X	
Supplemental liability insurance		X	
Workers' compensation		X	
Automobile medical payment insurance		X	
Credit-only insurance		X	
Excess reimbursement to highly compensated individual, included in gross income		X	
Payment/reimbursement of health insurance premiums for 2% shareholder-employee, included in gross income		X	
Other Situations	Report	Do Not Report	Optional
Employers required to file fewer than 250 Forms W-2 for the preceding calendar year (determined without application of any entity aggregation rules for related employers)			X
Forms W-2 furnished to employees who terminate before the end of a calendar year and request, in writing, a Form W-2 before the end of that year			X
Forms W-2 provided by third-party sick-pay provider to employees of other employers			X

The chart was created at the suggestion of and in collaboration with the IRS' Information Reporting Program Advisory Committee (IRPAC). IRPAC's members are representatives of industries responsible for providing information returns, such as Form W-2, to the IRS. IRPAC works with IRS to improve the information reporting process.

Related Information:

- [IR-2011-31](#), IRS Issues Interim Guidance on Informational Reporting of Employer-Sponsored Health Coverage
- [Notice 2010-69](#), Interim Relief with Respect to Form W-2 Reporting of the Cost of Coverage of Group Health Insurance Under § 6051(a)(14)
- [Webinar](#), Reporting of Employer Healthcare Coverage on Form W-2.

Page Last Reviewed or Updated: 16-Jan-2014

FORM 1099-MISC Reminders for Federal, State and Local Governments

WHO MUST FILE: Any entity conducting a trade or business is required to file Form 1099. Government agencies, including federally recognized tribes and non-profit organizations are also required to file Form 1099		DO Payments of \$600 or more FOR: Services (Form 1099-misc) Rents (Form 1099-misc) Retirement (Form 1099R) Payments of \$10 or more for Interest (1099 INT) Payments of \$600 or more TO: Individuals Partnerships Estates Trusts	DON'T Payments of \$600 or more FOR: Products Workmen's Comp (to employee) Payments of \$600 or more TO: Governmental Agencies Rental Agencies Corporations (except Medical & Attorneys)
SECURING VENDOR INFORMATION			
WHAT INFORMATION IS NEEDED: Sole Proprietor's Name, Legal Business Name, Business type, Mailing Address Taxpayer Identification Number			
WHEN TO GET INFORMATION: Obtain vendor information up front; don't wait until year-end. Form 1099 is required to be issued once payments total \$600 or more			
WHY GET THE INFORMATION: If your vendor fails to supply an identification number, you must withhold 28% ² and report it to the IRS on Form 945. This is called BACKUP WITHHOLDING TAX . If you do not backup withhold, you may be liable for this tax.			
HOW TO GET THE INFORMATION: Form W-9 current revision 08-2013			
DUE DATES FOR FORM 1099 Copy B to RECIPIENTS by January 31st. Copy B to IRS by February 28th			
1. If compensation, then enter income in box 7. If not able to determine percentage of compensation from gross payment, then put total in box 14. 2. 2013 backup withholding rate is 28%			
CAUTION: Do NOT automatically treat a payee as a corporation simply because the payee's name ends with Company, Co., LLC, PLC, or PC			
EXAMPLES OF REPORTABLE PAYMENTS			
NON-EMPLOYEE COMPENSATION (Form 1099-misc, Box 7) Advertising Auto Repair Construction Custodial/Maintenance Landscapers, Locksmiths Photographers, Printers Services Professional Services Accountants Appraisers Architects Attorneys (includes corporations) ¹ Consultants Engineers Referees, Umpires Rubbish Removal Pow-wows		MEDICAL & HEALTH CARE SERVICES (Form 1099-misc, Box 6, Includes Corporations) Ambulance Services Dentists, Doctors Rehabilitation Centers For-Profit Hospitals Lab Services Optometrists Private Duty Nurses Psychiatrists, Psychologists Therapists Veterinarians	
RENTS (1099-misc, Box 1) Office Space Parking Lot Space Welfare Rental Assistance (to Landlords) Equipment Storage Space			

Filing Corrected Returns on Paper Forms

Identify the correction needed based on **Error Type 1** or **2**; then follow the steps to make the corrections and file the form(s). Also see Part H, earlier 6.

Error Type 1	Correction
<p>Incorrect money amount(s), code, or checkbox, or Incorrect payee name, or</p> <p>A return was filed when one should not have been filed.</p> <p>These errors require only one return to make the correction.</p> <p><i>Caution: If you must correct a TIN and/or a name and address, follow the instructions under Error Type 2.</i></p>	<p>A. Form 1097, 1098, 1099, 3921, 3922, 5498, or W-2G</p> <ol style="list-style-type: none"> 1. Prepare a new information return. 2. Enter an "X" in the "CORRECTED" box (and date (optional)) at the top of the form. 3. Correct any recipient information such as money amounts. Report other information as per the original return. <p>B. Form 1096</p> <ol style="list-style-type: none"> 1. Prepare a new transmittal Form 1096. 2. Provide all requested information on the form as it applies to Part A, 1 and 2. 3. File Form 1096 and Copy A of the return with the appropriate service center. 4. Do not include a copy of the original return that was filed incorrectly.
Error Type 2	Correction
<p>No payee TIN (SSN, EIN, QI-EIN, or ITIN), or Incorrect payee TIN, or Incorrect name and address, or</p> <p>Original return filed using wrong type of return (for example, a Form 1099-DIV was filed when a Form 1099-INT should have been filed).</p> <p>Two separate returns are required to make the correction properly. Follow all instructions for both Steps 1 and 2.</p>	<p>Step 1. Identify incorrect return submitted.</p> <ol style="list-style-type: none"> 1. Prepare a new information return. 2. Enter an "X" in the "CORRECTED" box (and date (optional)) at the top of the form. 3. Enter the payer, recipient, and account number information exactly as it appeared on the original incorrect return; however, enter 0 (zero) for all money amounts. <p>Step 2. Report correct information.</p> <p>A. Form 1097, 1098, 1099, 3921, 3922, 5498, or W-2G</p> <ol style="list-style-type: none"> 1. Prepare a new information return. 2. Do not enter an "X" in the "CORRECTED" box at the top of the form. Prepare the new return as though it is an original. 3. Include all the correct information on the form including the correct TIN, name, and address. <p>B. Form 1096</p> <ol style="list-style-type: none"> 1. Prepare a new transmittal Form 1096. 2. Enter one of the following phrases in the bottom margin of the form. <ul style="list-style-type: none"> • Filed To Correct TIN. • Filed To Correct Name and Address. • Filed To Correct Return. 3. Provide all requested information on the form as it applies to the returns prepared in Steps 1 and 2. 4. File Form 1096 and Copy A of the return with the appropriate service center. 5. Do not include a copy of the original return that was filed incorrectly.

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

By Brenda Hollingsworth
of the
Internal Revenue Service



- Brenda Hollingsworth
- 405-297-4959
- Brenda.J.Hollingsworth@irs.gov

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The screenshot shows the IRS website homepage. At the top is the URL 'www.irs.gov'. Below it is the IRS logo and a navigation bar with links: Home, Forms & Publications, Payroll, Credits & Deductions, Refunds & Payments, and More. A search bar is located in the top right corner. Below the navigation bar are four icons representing different services: 'What's New', 'What's Hot', 'What's Up', and 'What's On'. The main content area is divided into several sections: 'Forms & Publications', 'Payroll', 'Credits & Deductions', 'Refunds & Payments', and 'More'. Each section contains a list of links to various forms and publications. For example, under 'Forms & Publications', there are links to 'Form 1040', 'Form 1040-EZ', 'Form 1040-SS', 'Form 1040-SP', 'Form 1040-PR', 'Form 1040-OR', 'Form 1040-SS', 'Form 1040-SP', 'Form 1040-PR', 'Form 1040-OR', 'Form 1040-SS', 'Form 1040-SP', 'Form 1040-PR', and 'Form 1040-OR'. The bottom of the page features a 'Social Media' section with links to Facebook, Twitter, YouTube, and LinkedIn.

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

<http://www.irs.gov/GovernmentEntities/Federal-State-&-Local-Governments>

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

HOME | ABOUT IRS | CONTACT | FREEDOM OF INFORMATION ACT | PRIVACY | EMPLOYMENT | EDUCATION | GOVERNMENT ENTITIES | STATE & LOCAL GOVERNMENTS | TAXPAYER SERVICES | TAXPAYER RIGHTS

FOR MORE INFORMATION,
CONTACT YOUR LOCAL
OFFICE OR VISIT OUR
WEBSITE.

Educational Resources

The following publications are available for download or a paper copy. Publication 5137, *Fringe Benefit Guide*, and Publication 5138, *Quick Reference Guide for Public Employers*, are available for download only.

IRS Publications

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Pub. 5137



Fringe Benefit Guide

On the Fringe: State and Local Government

Pub. 5138



Quick Reference Guide for Public Employers

On the Fringe: State and Local Government

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Form 941

- Form packets are no longer being mailed
- Read F941 instructions
- Final Return – complete Part 3
- 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

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

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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

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Form 941-X

- Use to correct an error on previously filed F941
- Use to claim refunds or abate-ments 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.**

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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 wilfully failing to withhold, deposit or pay over employment taxes on wages, including fringe benefits.

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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**

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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.

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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

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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:

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Meals

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

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Cell Phones

- No longer listed property
- Must follow accountable plan rules to be nontaxable

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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.

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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*

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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 use 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?

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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.

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BOOSTER CLUBS

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

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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)

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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.

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Noncash Fringe Benefits

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



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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.

35

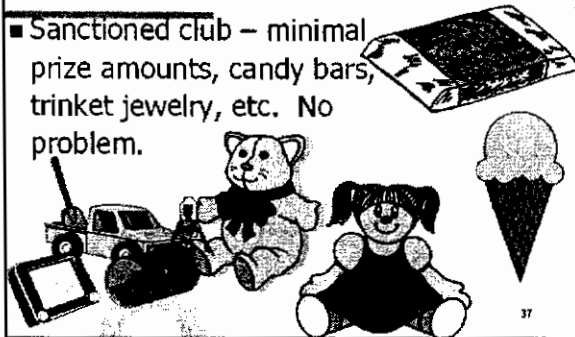
Fundraising - Student Prizes

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

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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

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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

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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

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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

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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

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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

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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

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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]

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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



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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

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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

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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

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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)

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Exercise - answers

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

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Information Return Penalties

Forms W-2 and 1099



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Penalties

IRC §		Run 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		

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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.



electronic 

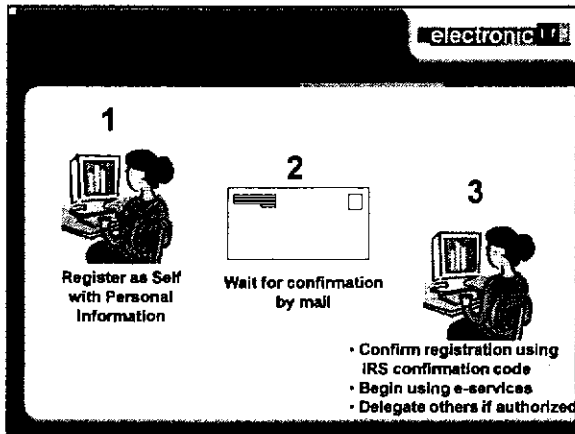
- Method of Electronic Communication with IRS
- Available 24 hours a day, 7 days a week
- Accessed at: www.irs.gov/Tax-Professionals/e-services---Online-Tools-for-Tax-Professionals

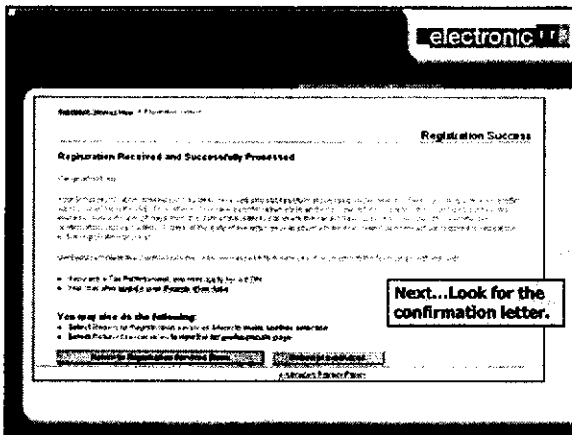
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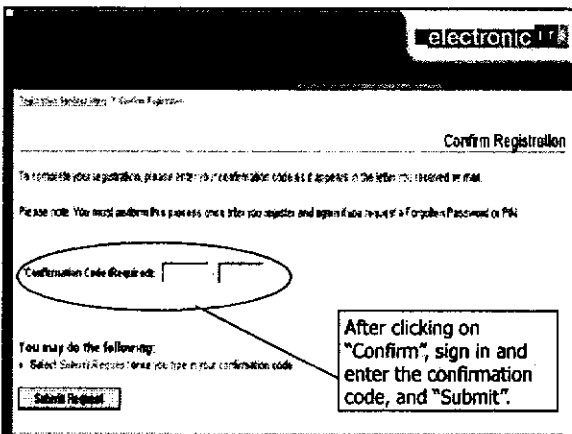
Available to Payers of Information Returns

- Taxpayer Identification Number Matching (TIN)

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







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



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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



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electronic

e-Help Desk
1-866-255-0654
Or
irs.e-helpmail@irs.gov

Questions

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