

# ITG News



Keeping First Nations Informed

October 2008

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## Message from the Director

All of us are faced with increasing burden in our jobs and in our lives. Just when we are certain we cannot absorb any more complexities in our work responsibilities a new rule is issued, an existing procedure is complicated, or a new law changes the paradigm under which we have operated.

In response to this problem the IRS created the office of Taxpayer Burden Reduction. This function seeks methods to streamline procedures in order to assist taxpayers in meeting their federal tax obligations by finding methods to reduce the time required to comply, decrease the number of forms or line items to be completed, or simplify letters and instructions. The creation of Form 944, the Employer's ANNUAL Federal Tax Return, resulted from work performed by the office of Taxpayer Burden Reduction. Although the number of tribal entities eligible to file this annual form is very small, the number of entities that benefit on a national basis is significant.

The office of Taxpayer Burden Reduction recently announced the overhaul of the process for correcting errors on Employment Tax returns, a problem commonly faced by tribal entities. The new process, which is scheduled to be effective on January 1, 2009, is outlined on pages 4 and 5 of this newsletter. However, as with all new procedures, I encourage tribes to contact their designated ITG Specialist if they encounter a need to avail themselves of the new correction procedures or if they have any questions about the process.

Speaking of change, three long-time ITG Specialists have opted to make a major change in their lives by electing to retire after many years of devoted government service. My appreciation to Bill Barker from the Spokane office, Rick Ziton from the St. Paul office, and Emily Williamson from the San Diego office. As with all departures, we have reassigned the primary ITG contacts for tribes who dealt with these three individuals. An updated listing is always available on our web site under the "Contacting ITG" link on the left side of the landing page at [www.irs.gov/tribes](http://www.irs.gov/tribes).

Christie Jacobs



*....Form 941X  
will reduce  
burden....*

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# Federal Tax Calendar for Fourth Quarter 2008

## October 2008

Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1 * make a deposit for 9/24-9/26	2	3 * make a deposit for 9/27-9/30	4
5	6	7	8 * make a deposit for 10/1-10/3	9	10 * make a deposit for 10/4-10/7  Employees report September tip income to employers if \$20 or more	11
12	13	14	15	16 * make a deposit for 10/8-10/10 ** make a deposit for September if under the monthly deposit rule	17 * make a deposit for 10/11-10/14	18
19	20	21	22 * make a deposit for 10/15-10/17	23	24 * make a deposit for 10/18-10/21	25
26	27	28	29 * make a deposit for 10/22-10/24	30	31 * make a deposit for 10/25-10/28	

File Form 730 for  
wagers received during  
September

File Form 941 the 3rd  
calendar quarter of  
2008

## November 2008

Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1
2	3	4	5 * make a deposit for 10/29-10/31	6	7 * make a deposit for 11/1-11/4	8
9	10 Employees report October tip income to employers if \$20 or more	11	12	13 * make a deposit for 11/5-11/7	14 * make a deposit for 11/8-11/11	15
16	17 ** make a deposit for October if under the monthly deposit rule	18	19 * make a deposit for 11/12-11/14	20	21 * make a deposit for 11/15-11/18	22
23	24	25	26 * make a deposit for 11/19-11/21	27	28	29
30						

\* = Make a Payroll Deposit if you are under the semi-weekly deposit rule.

\*\*= Make a Monthly Deposit if you qualify under that rule.

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NOTE: Deposits made through EFTPS must be initiated at least one day prior to the due dates listed above in order to be timely.



## December 2008

Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1 * make a deposit for 11/22-11/25	2	3 * make a deposit for 11/26-11/28	4	5 * make a deposit for 11/29-12/2	6
	8	9	10 * make a deposit for 12/3-12/5  Employees report November tip income to employers if \$20 or more	11	12 * make a deposit for 12/6-12/9	13
14	15 ** make a deposit for November if under the monthly deposit rule	16	17 * make a deposit for 12/10-12/12	18	19 * make a deposit for 12/13-12/16	20
21	22	23	24 * make a deposit for 12/17-12/19	25	26	27
28	29 * make a deposit for 12/20-12/23	30	31 * make a deposit for 12/24-12/26			

Form 730 for wagers received during October

File Form 730 for wagers received during November

\* = Make a Payroll Deposit if you are under the semi-weekly deposit rule.

NOTE: Deposits made through EFTPS must be initiated at least one day prior to the due dates listed above in order to be timely.

### Return Filing Dates

**October 31st**

- > File Form 941 for the 3rd quarter of 2008. If all deposits were paid on time and in full, file by November 10th.
- > File Form 730 and pay the tax on applicable wagers accepted during September.

**December 1st**

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

**December 31st**

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



## Form 941X to Debut

The IRS Office of Taxpayer Burden Reduction (TBR) initiated the Adjusted Employment Tax Returns (Forms 94X) Project to reduce burden associated with correcting information previously reported on various types of employment tax returns. Currently, employers and payers use one form – Form 941c, Supporting Statement to Correct Information – to correct the amounts they previously reported on Forms 941, 943, 944, and 945. Form 941c is not a stand-alone tax return. Presently, filers must attach Form 941c to their current employment tax return when making adjustments, or to Form 843 when claiming a refund of overpaid employment taxes.

Form 941c is complex and does not correspond directly to any employment tax return. Consequently, taxpayers often make mistakes completing and filing it, resulting in processing errors and delays. Additionally, because the taxpayer files Form 941c with the current employment tax return when making an adjustment, the IRS adjusts the tax for the current tax period but adjusts the wages for the calendar year being corrected. This makes it difficult for employers and the IRS to track taxpayers' account activity.

Commencing on January 1, 2009, a new set of dual-purpose forms for adjustments and refunds will reduce burden for employers, payers and the IRS. The IRS, with stakeholder input, is making the new forms as user-friendly as possible and implementing more accurate procedures for adjustments and refunds of employment taxes.

- **Forms:** Each stand-alone form will correspond to, and relate line-by-line with, the employment tax return it is correcting. For example, an employer who discovers an underpayment or overpayment error on a previously filed Form 941 will use Form 941X to make a correction. Since the Form 941X is a stand-alone form, the employer will be able to file Form 941X when an error is discovered, rather than having to wait to file it at the end of the quarter with the next employment tax return.

The new forms being developed will correspond with Form 941, Employer's QUARTERLY Federal Tax Return; Form 943, Employer's Annual Federal Tax Return for Agricultural Employees; Form 944, Employer's ANNUAL Federal Tax Return; Form 945, Annual Return of Withheld Federal Income Tax, and Form CT-1, Employer's Annual Railroad Retirement Tax Return. Spanish versions of the new forms are being developed for Forms 941-PR, 944-PR, and 944(SP).

The IRS will also revise Form 941 and other employment tax returns for the 2009 tax year to eliminate prior period adjustment lines no longer needed after the implementation of the new forms.

Note: Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return, is not being revised. Employers can continue to use Form 940 to file amended returns.

- **Process:** Under the proposed regulations, Form 941X will be used to make adjustments and claim refunds. If an employer is correcting an overpayment for a Form 941, the employer will be able to either make an adjustment or claim a refund. If an adjustment is made the amount of the overpayment will be applied as a credit to the quarter in which the Form 941X is filed. Employers correcting underpayments of employment taxes that result in a balance due, can pay using EFTPS, credit card, or send a check along with Form 941X. The IRS will make both the tax and wage corrections to the actual tax period being corrected, resulting in a more accurate record.

As these new procedures are enacted, and/or you encounter the need to utilize them, we strongly encourage you to contact your designated ITG Specialist with any questions you may have.



## FREQUENTLY ASKED QUESTIONS

**Q.** When I send in a Form 94X, do I need to attach it to anything, such as a copy of the form I filed originally?

**A.** No, the new forms are stand-alone forms. You should not attach them to anything.

**Q.** When should I file a form 94X?

**A.** Complete and file the form as soon as you discover you need to adjust a previously filed employment tax return.

**Q.** Should I discontinue using Form 941c, *Supporting Statement to Correct Information*, to make corrections?

**A.** Yes, for errors discovered after Dec. 31, 2008, use the new form that corresponds to the employment tax return you are correcting.

**Q.** When are the new forms in the 94X series available?

**A.** The new forms are available starting January 2009.

**Q.** How will I know whether to make an adjustment or claim a refund?

**A.** If you have an overpayment of tax, you have two choices. Either request an adjustment and have the amount credited to the tax period in which the adjustment form is filed, or claim a refund of the amount you overpaid.

**Q.** What if I need to correct a previously filed Form 941 but I now file Form 944?

**A.** Use the adjustment form that corresponds to the return you are correcting—in this case, Form 941X because you filed a form 941 in 2008. If you have an overpayment and request an adjustment, any credit will be applied to the tax period in which you filed the Form 941X. For example, if you file Form 941X in 2009 and your filing requirement in 2009 is Form 944, the credit will be applied to your 2009 Form 944 account.

**Q.** What if my correction to the original return results in additional tax?

**A.** If you owe additional tax as a result of a correction, you should pay with the Form 94X. You can pay via EFTPS or check. Credit card payments will also be accepted for Forms 941X, 943X, and 945X.

**Q.** Where can I get the new forms?

**A.** You can download the forms starting in January 2009 from [www.irs.gov](http://www.irs.gov) or call 800-829-3676 to request copies by mail.

### MAKING CORRECTIONS TO EMPLOYMENT TAX RETURNS 2009 AND BEYOND

**NEW!** Employment tax returns now have corresponding forms for making corrections

Beginning Jan. 1, 2009, when you need to correct a previously filed employment tax return, use its corresponding form to make the change. The new 94X series of forms makes changes easy and accurate for employers and payers.

THE NEW 94X SERIES	
Correct the return you previously filed...	...using its corresponding 94X series form
Form 941, Employer's QUARTERLY Federal Tax Return	Form 941X, Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund
Form 943, Employer's Annual Federal Tax Return for Agricultural Employees	Form 943X, Adjusted Employer's Annual Federal Tax Return for Agricultural Employees or Claim for Refund
Form 944, Employer's ANNUAL Federal Tax Return	Form 944X, Adjusted Employer's ANNUAL Federal Tax Return or Claim for Refund
Form 945, Annual Return of Withheld Federal Income Tax	Form 945X, Adjusted Annual Return of Withheld Federal Income Tax or Claim for Refund
Form CT-1, Employer's Annual Railroad Retirement Tax Return	Form CT-1X, Adjusted Employer's Annual Railroad Retirement Tax Return or Claim for Refund

A simpler process reduces  
taxpayer burden

- **Timelier filing:** Employers and payers will file the appropriate form when they discover an error instead of waiting to file it with the next employment tax return. The new forms and process apply to errors discovered after Dec. 31, 2008
- **Easier completion:** The new forms replace Form 941c, *Supporting Statement to Correct Information*, and each relates line by line to the employment tax return being corrected
- **More accurate tax accounts:** The IRS will make both the wage and tax corrections to the tax period in which the error occurred
- **One form with a dual purpose:** The new 94X series is for making adjustments or claiming refunds. Employers will no longer use Form 843, *Claim for Refund and Request for Abatement*, to claim a refund for overpaid employment taxes



## **Update on Customer Satisfaction Survey**

Our appreciation to all those who participated in our annual Customer Satisfaction Survey. We had a record number of responses, which helps increase the validity of the data provided.

We are still in the process of tabulating the information, and will be issuing a report during the current quarter, which will be posted to our web site at [www.irs.gov/tribes](http://www.irs.gov/tribes). In addition, we will convene a task force of ITG employees to review the feedback and determine what changes we can make to better meet the needs of our tribal customers. We will also share that information on our web site when it is available.

## **Consultation Listening Meetings for FY 2009**

October marks the start of the new fiscal year for the federal government. Each fiscal year ITG holds up to four Consultation Listening meetings across the country, and invites tribal leaders and representatives to dialogue with us on key federal tax issues of concern.

During the upcoming year we plan to hold meetings in December in Anchorage, in early February in Washington D.C. (in conjunction with the United South and Eastern Tribes), in the spring in Albuquerque, and in the summer in Tulsa. As we get closer to the date of each meeting we will post a notice as the headline on our Internet landing page, issue an invitation letter to tribal leaders in the area of the meeting, and issue a Special Edition of ITG News in that area.

The Anchorage meeting will be held on December 4th at the Westmark Hotel. We hope that many individuals attending the BIA Providers Conference that week will be able to find time to attend.

All of the meetings are open to anyone, and we encourage attendance by all interested parties. Meetings held over the past three years have led to meaningful changes in IRS procedures, and also have allowed us to forward tribal concerns to other IRS functions and other federal agencies.

## **Previous Editions of the ITG Newsletter Available**

That's right—you can access all previous editions of the Pacific Northwest Edition of the ITG Newsletter, as well as editions from around the country by going to [www.irs.gov/tribes](http://www.irs.gov/tribes). If you have an idea for a topic you'd like to see in the newsletter, or if you'd like to be added to our email newsletter mailing list, contact Melodie Gren by email at [melodie.f.gren@irs.gov](mailto:melodie.f.gren@irs.gov) or by phone at 509-353-0824.

## **Self-Assess Your Federal Tax Compliance Risks**

Tribal entities can now self-assess their federal tax compliance and work with ITG to address any problems they uncover. Entities electing to participate receive a fillable template from ITG and are provided with the name of a local ITG Specialist who will serve as their resource during the process.

Information on the program, as well as an on-line request form, are available through the "Self Assess Tribal Tax Compliance" link on the right-hand side of the ITG web site landing page at [www.irs.gov/tribes](http://www.irs.gov/tribes), or you can make an inquiry about the program via e-mail to [tege.itg.tefac@irs.gov](mailto:tege.itg.tefac@irs.gov).



## **FinCEN Issues Guidance on Recognizing Suspicious Activity**

On August 1, 2008, the Financial Crimes Enforcement Network (FinCEN) issued guidance via FIN-2008-G007. This guidance is intended to assist casinos and card clubs with the reporting of suspected money laundering, terrorist financing and related financial crimes. This guidance contains examples of circumstances or "red flags" - based on actual reports, the observations of examiners and the experience of law enforcement - that may indicate the presence of money laundering, terrorist financing and related financial crimes.

The four page document can be accessed on-line at [www.fincen.gov](http://www.fincen.gov). You can also obtain a copy by contacting your designated ITG Specialist.

Questions or comments regarding the contents of the guidance should be addressed to the FinCEN Regulatory Helpline at 800-949-2732.

## **Have Your Tribal Members Received A Letter From IRS Saying That They Owe SE Tax On Their Per Capita Payment? We Can Help!**

It has been brought to our attention that some Tribal Members have been receiving notices from the IRS telling them that they owe Self-Employment Tax (SE Tax) on the Gaming Per Capita payments and other distributions they receive from their Tribe.

Tribal Per Capita payments are subject to income tax and should be reported as "Other Income" on Line 21 of the Form 1040. It should be identified as "Indian Gaming Proceeds," "Indian Tribal Distrib," or "Native American Distrib." The Per Capita distributions are NOT subject to Self-Employment (SE Tax) Tax.

We have instructed tribal members to go to their tribe's finance office for assistance if they do receive one of these letters (See the article on page 11 of this newsletter). The finance folks should assist the tribal member in responding to the letter. The response letter should contain an explanation that the funds were a result of a gaming per capita payment or non-gaming distributions, which are NOT subject to SE Tax. Then the finance office should contact their assigned ITG Specialist to report the problem so that we can work to see that it is not repeated next year. If your response letter does not resolve the issue please contact your ITG Specialist on behalf of your tribal member so that we can assist.

If you have any questions, please contact your ITG Specialist. There is a new listing of all of the ITG Specialists in the Pacific Northwest and their tribal assignments on page 10 of this newsletter.

## **Reporting Abuses/Schemes**

We continue to work with tribes and tribal officials to address financial abuses and schemes being promoted in Indian country. Working together can help ensure the integrity of tribal finances and eliminate the threats posed by individuals with schemes that appear "too good to be true" and often are.

If you are aware of financial impropriety or of a promoter advocating a scheme that appears highly suspect, you can contact the ITG Abuse Detection and Prevention Team at (716) 686-4860 or via e-mail at [tege.itg.schemes@irs.gov](mailto:tege.itg.schemes@irs.gov)



## **ITG Offers First Payroll Tax Workshop in the Pacific Northwest**

Thanks to all of you who have signed up to join us on November 18 & 19 at the Suquamish Clearwater Casino for our first ever Pacific Northwest payroll tax workshop. We are pleased to announce that we have currently reached full capacity for this first two-day workshop. Any further registration forms will be added to a list for future training sessions.

This training was patterned loosely after similar highly successful training we have presented in Alaska and the desert Southwest. We have adapted the training to meet the specific needs voiced by you, our Pacific Northwest Tribal customers. The materials covered will include opportunities to review the general rules of payroll taxes, go into some of the subtleties of your work, and also to work through some specific scenarios you may face. We have two great presenters, whom you may already know and trust: Michael Fehrenbacher and Connie Perkins.

Based upon attendance and feedback from this first class, we will evaluate the need to offer the training in other locations in the future. This may include a spring 2009 offering if interest in attending continues.

Please refer to the current training agenda on page 9. If this looks like something you may be interested in attending in the future, please contact the person listed in the agenda to get your name added to the potential participant listing.

Joe Kincaid,  
ITG Group Manager,  
Pacific Northwest & Alaska

### **Want to Avoid Penalties?**

Are you incurring penalties? Do you want to eliminate penalties in the future?  
ITG has a "Helpful Hints to Avoid Penalties" job aid that can assist you.  
It's available by ordering our "Tax Tools for Tribes" CD-Rom via e-mail  
at [ITG.TaxTools@irs.gov](mailto:ITG.TaxTools@irs.gov).

### **Employee Tip Income Program Questions**

ITG has a full-time Tip Coordinator to assist you with any questions about tip reporting agreements. If you are interested in securing a Tip Agreement, have questions concerning your existing agreement, or have received a notice about tip reporting responsibilities that is unclear, please contact Suzanne Perry at (602) 207-8254.





## NOVEMBER PAYROLL TAX WORKSHOP!

The Office of Indian Tribal Governments (Internal Revenue Service) will be offering a two-day Payroll Tax Workshop for our tribal customers on November 18 & 19, 2008. The workshop will be hosted at the Suquamish Clearwater Casino Resort in Suquamish, Washington. The agenda will include the basics of:

- Defining Employees vs. Independent Contractors
- Computing the correct taxes for payroll
- Completing the Form 941 Quarterly Employment Tax Return
- Making federal tax deposits
- Due dates for tax returns
- Completing forms W-2/W-3 and 1099/1096
- Reconciling Forms 941 and W-2 at year end
- Avoiding penalties
- Meeting rules for an accountable plan for per diem & travel reimbursements
- Form 945 and Form 1042 withholding requirements

**PLEASE NOTE:** This training session is already full. We are currently taking information for people who would be interested in attending a future workshop or in hosting a future workshop—perhaps even in the Spring of 2009.

If you are interested in attending or hosting a workshop like this, please email Loriann Romo at: [Loriann.B.Romo@irs.gov](mailto:Loriann.B.Romo@irs.gov). Please provide her with your name, email address, telephone number, your position and which Tribe you work for.

We will keep you updated on any future offerings.



## A Fond Farewell

Jim McCabe, an ITG Specialist in our Vancouver, WA office has been transferred from the Pacific Northwest to Pennsylvania. Thus, he will no longer be working with the Tribes in this area. We wish him well and hope for his continued success and happiness.

## Changes in Tribal Assignments

As you know, in the IRS Office of Indian Tribal Governments, there are ITG Specialists assigned to work with specific Tribes. The Specialists act as liaisons between the tribe and the IRS, answer questions, and solve problems related to a tribe's tax obligations. Due to Jim McCabe's transfer out of the area, it was necessary to change some of those assignments. Below is a list of all of the tribes in Washington, Oregon, and Idaho as well as the ITG Specialist assigned to each tribe. When you have questions or problems of a tax nature, you can call your assigned ITG Specialist. If they are not available to assist you, you can then call any of the specialists listed below, or the group manager, Joe Kincaid, at 503-326-2381.

<b>Mike Fehrenbacher (360) 696-7643 X 227</b>	<b>John Mandeville (509) 353-2842</b>
Confederated Tribes of the Chehalis Reservation	Coeur d' Alene Tribe of the Coeur d' Alene Reservation
Confederated Tribes of the Yakama Reservation	Confederated Tribes of the Colville Reservation
Cowlitz Tribe of Indians	Kalispel Indian Community of the Kalispel Reservation
Hoh Indian Tribe of the Hoh Reservation	Kootenai Tribe of Idaho
Lummi Tribe of the Lummi Reservation	Nisqually Indian Tribe
Makah Indian Tribe of the Makah Indian Reservation	Skokomish Indian Tribe
Muckleshoot Indian Tribe	Spokane Tribe of the Spokane Reservation
Puyallup Tribe of the Puyallup Reservation	Suquamish Tribal Council - Port Madison Reservation
Quileute Tribe of the Quileute Reservation	Swinomish Indians of the Swinomish Reservation
Quinault Tribe of the Quinault Reservation	Upper Skagit Indian Tribe of Washington
Shoalwater Bay Tribe of the Shoalwater Bay Indian Reservation	Squaxin Island Tribe
Tulalip Tribes of the Tulalip Reservation	

<b>Connie Perkins (503) 587-3137</b>	<b>Melodie Gren (509) 353-0824</b>
Burns Paiute Tribe of the Burns Paiute Indian Colony of Oregon	Shoshone-Bannock Tribes of the Fort Hall Reservation
Confederated Tribes of Coos, Lower Umpqua & Siuslaw Indians	Nez Perce Tribe of Idaho
Confederated Tribes of the Grand Ronde Community of Oregon	Nooksack Indian Tribe of Washington
Confederated Tribes of the Siletz Reservation	Northwestern Band of Shoshoni Nation
Confederated Tribes of the Umatilla Reservation	Port Gamble S'Klallam Indian Community
Confederated Tribes of the Warm Springs Reservation of Oregon	Sauk-Suiattle Indian Tribe
Coquille Tribe of Oregon	Lower Elwha Klallam Tribe
Cow Creek Band of Umpqua Indians of Oregon	Snoqualmie Tribal Organization
Klamath Indian Tribe of Oregon	Stillaguamish Tribe
	Samish Indian Tribe
	Jamestown S'Klallam Tribe of Washington



# Tax News For You!

Individual Tribal Member Information

## **Have You Received A Letter From IRS Saying That You Owe SE Tax On Your Per Capita Payment? We Can Help!**

It has been brought to our attention that some Tribal Members have been receiving notices from the IRS telling them that they owe Self-Employment Tax (SE Tax) on the Gaming Per Capita payments they receive from their Tribe.

Tribal Per Capita payments are subject to income tax and should be reported as "Other Income" on Line 21 of the Form 1040. It should be identified as "Indian Gaming Proceeds," "Indian Tribal Distrib," or "Native American Distrib." The Per Capita distributions are NOT subject to Self-Employment (SE Tax) Tax.

If you receive a notice from the IRS stating that you owe SE Tax for Per Capita Distributions, please contact your tribal finance office for assistance. They will help you in responding to the IRS Notice by explaining to IRS in a letter that the funds were a result of gaming per capita payments or non-gaming distributions, which are NOT subject to SE Tax. If this does not resolve the problem, then the tribal finance office will contact their ITG Specialist for assistance.

ITG is working to solve this problem for future years.

## **Tax Credit To Aid First-Time Homebuyers; Must Be Repaid Over 15 Years**

If you are considering taking advantage of the home buying market to purchase your first home we want to sure make you are aware of a new tax credit. It is available for a limited time so you may want to take advantage of it soon. If you bought a home recently, or are considering buying one, the following may help you determine whether you qualify for the credit.

The credit applies to home purchases after April 8, 2008, and before July 1, 2009 and reduces a taxpayer's tax bill or increases his or her refund, dollar for dollar. It is fully refundable, meaning that the credit will be paid out to eligible taxpayers, even if they owe no tax or the credit is more than the tax that they owe.

However, the credit operates much like an interest-free loan, because it must be repaid over a 15-year period. So, for example, an eligible taxpayer who buys a home today and properly claims the maximum available credit of \$7,500 on his or her 2008 federal income tax return must begin repaying the credit by including one-fifteenth of this amount, or \$500, as an additional tax on his or her 2010 return. Eligible taxpayers will claim the credit on the new IRS Form 5405, which will be available for tax year 2008.

### **Q. Which home purchases qualify for the first-time homebuyer credit?**

A. Only the purchase of a main home located in the United States qualifies and only for a limited time. Vacation homes and rental property are not eligible. You must buy the home after April 8, 2008, and before July 1, 2009. For a home that you construct, the purchase date is the first date you occupy the home.

Taxpayers who owned a main home at any time during the three years prior to the date of purchase are not eligible for the credit. This means that first-time homebuyers and those who have not owned a home in the three years prior to a purchase can qualify for the credit.

If you make an eligible purchase in 2008, you claim the first-time homebuyer credit on your 2008 tax return. For an eligible purchase in 2009, you can choose to claim the credit on either your 2008 (or amended 2008 return) or 2009 return.

Continued on Page 11



# Tax News For You!

Individual Tribal Member Information

## Tax Credit To Aid First-Time Homebuyers; Must Be Repaid Over 15 Years

Continued from page 10

### **Q. How much is the credit?**

A. The credit is 10 percent of the purchase price of the home, with a maximum available credit of \$7,500 for either a single taxpayer or a married couple filing jointly. The limit is \$3,750 for a married person filing a separate return. In most cases, the full credit will be available for homes costing \$75,000 or more. Whatever the size of the credit a taxpayer receives, the credit must be repaid over a 15-year period.

### **Q. Are there income limits?**

A. Yes. The credit is reduced or eliminated for higher-income taxpayers. This means the full credit is available for married couples filing a joint return whose MAGI is \$150,000 or less and for other taxpayers whose MAGI is \$75,000 or less.

### **Q. Who cannot take the credit?**

A. If any of the following describe you, you cannot take the credit, even if you buy a main home:

- Your income exceeds the phase-out range. This means joint filers with MAGI of \$170,000 and above and other taxpayers with MAGI of \$95,000 and above.
- You buy your home from a close relative. This includes your spouse, parent, grandparent, child or grandchild.
- You stop using your home as your main home. - You sell your home before the end of the year.
- You are a nonresident alien - You are, or were, eligible to claim the District of Columbia first-time homebuyer credit for any taxable year. - Your home financing comes from tax-exempt mortgage revenue bonds.
- You owned another main home at any time during the three years prior to the date of purchase. For example, if you bought a home on July 1, 2008, you cannot take the credit for that home if you owned, or had an ownership interest in, another main home at any time from July 2, 2005, through July 1, 2008.

### **Q. How and when is the credit repaid?**

A. The first-time homebuyer credit is similar to a 15-year interest-free loan. Normally, it is repaid in 15 equal annual installments beginning with the second tax year after the year the credit is claimed. The repayment amount is included as an additional tax on the taxpayer's income tax return for that year. For example, if you properly claim a \$7,500 first-time homebuyer credit on your 2008 return, you will begin paying it back on your 2010 tax return. Normally, \$500 will be due each year from 2010 to 2024. There are some exceptions that apply however.

For more details please visit [www.irs.gov](http://www.irs.gov).



## ITG Area Contacts

### **PACIFIC NORTHWEST**

Alaska, Idaho, Oregon, Washington

### **SPECIALISTS**

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