MIRS IRS TEGE FSLG

- Government Entities
 - Federal State Local Government (FSLG)
 - Lori A. Stieber, Paula Graham, Wally Reimold we are Internal Revenue Agents



www.IRS.gov/Retirement

FSLG COMPLIANCE SELF-ASSESSMENT TOOL

- Designed by FSLG for government entities
- Voluntary
- Feel comfortable about Federal tax compliance

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WIRS Form 14581

- Access at www.irs.gov
- Click on blue links
- Contact your local IRS Federal, State and Local Government (FSLG) Office for assistance

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MIRS Format Today

- Brief description of the basic legal requirements
- Links to IRS Publications or other materials
- Most common tax issues
- Not <u>legal advice</u>
- Refer to the sources cited

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MIRS Common Errors

- Reconcile
- File & Furnish 1099
- Accountable plan rules
- I/C vs EE
- Rehired annuitants
- Fringe Benefit recognition
- Election workers/Public Officials

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WIRS Need Help?

- Visit FSLG website at www.irs.gov/govt/fslg
- FSLG Toolkit



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₩IRS Social Security Admin.	
website http://www.ssa.gov/slge/.	
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7 www.IRS.gov/Retirement	
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	1
State Social Security Administrators	
Responsible for states' Section 218	
Agreements and Modifications	
• Find yours at www.NCSSSA.org	
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8 www.IRS.gov/Retirement	
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Warra M. C. Land]
Material Problems	
Voluntarily disclose an identified error	
Solicit resolution	
Walk-in closing agreement.	
• Contact me	
Internal Revenue Service T:GE:FSLG:CPM	
1111 Constitution Avenue NW Washington,	
DC 20224 ATTN: Closing Agreement	
Coordinator	

1. Social Security
2. Medicare
3. Retirement Plan Coverage
4. Worker Classification: Employee
versus Independent Contractor
5. Fringe Benefits
6. International Issues
7. Other Tax Issues
10 www.IRS.gov/Retirement
-
₩ IRS Check the Box
MIRS Check the Box
• OK
Does not apply
You are in compliance
• Flag
• Applies
Uncertain whether you are in
compliance • Both
- 5001
11 www.lRS.gov/Retirement
₩IRS Section 218 Agreement
WITTO Agreement
Uncertain?
· Unicertain?

• In MN, contact PERA.

scott.mcleod@mnpera.org

₩IRS Modifications
List all Modification numbers
 Dates
Description of changes
13 www.IRS.gov/Retirement
WATER COOL Date Will and
Manage state 218 agreement with SSA
 Mods might add coverage groups
Correct errors
 Identify additional political subdivisions
joining a covered retirement system
Secure Medicare coverage for certain
public employees
14 www.IRS.gov/Retirement
S Required Exclusions
Wall Nequired Exclusions
Services by individuals hired to be relieved from
unemployment
Services in a hospital, home or other institution by a
patient or inmate thereof
Services on a temporary basis in case of fire, storm,
snow, earthquake, flood or similar emergency
Services of nonresident alien temporarily residing in the U.S. holding cortain visa's.
the U.S., holding certain visa's

• Covered transportation service (SSA 210(k))

ä	MIRS	Optional Exclusions
•	Position directly Service regular univers Service workers	ns compensated solely by fees received from the public s performed by a student enrolled and ly attending classes at the school, college or ity for which they are working s performed by election officials or election
	MIRS	Excluded but Covered
	emplo plan th	atory Social Security provisions apply if yees do not participate in a retirement nat replaces social security
ľ	7	www.iRS.gov/Retirement
W.	MIRS	IRS Publication 963
•	Mand Volun	sions from Section 218 coverage atory Coverage stary Coverage

MIRS Non Public Retirement

- After July 1, 1991
 - Full-time, part-time, temporary and seasonal employees not participating in a qualifying retirement system from their employer must be covered by social security.

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MIRS Exceptions to Mandatory SS

- 1. Individuals hired to be relieved from unemployment.
- 2. Hospital, home or other institutional patient or inmate
- 3. Temporary to fight fire, storm, snow, earthquake, flood or similar emergency.
- 4. Nonresident alien residing in U.S. holding an particular visa
- 5. Fee based services paid directly from the public & subject to SECA
- 6. Student working & attending the school, college or university
- 7. Election officials or election workers
- 8. Services that would not be defined as work under Section 210(a) of the Social Security Act

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MIRS Medicare

- Applies to employees hired <u>before</u> April
 1, 1986, only if the employee is a member of a public retirement system
- The employee was employed before April 1, 1986
- No break in service since March 31, 1986.

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™IRS Excluded from Medicare Tax
The same services listed above under Social Security #4 that were excluded from
mandatory social security tax are also excluded from the Medicare tax. Contact the
State Social Security Administrator with any questions pertaining to the foregoing.
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22 www.iRS.gov/Retirement
™IRS Rehired Annuitants
An individual rehired and participates in the same retirement system as the former
employer.
This includes a former participant in a state retirement system who has previously retired
and who is either (1) receiving retirement benefits under the
retirement system (2) has reached normal retirement age under the retirement system.
23 www.IRS.gov/Retirement
™IRS Rehired Annuitants

- When an employee retires he or she has terminated employment for purposes of the continuing employment exception.
- If rehired, he or she will be subject to Medicare tax, even if the employee was previously exempt on account of the continuing employment exception.

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WIRS Retirement Plans

- A governmental retirement plan must meet certain benefit or contribution dollar amounts
- Public retirement plans that qualify, can exempt the participant from mandatory Social Security coverage.

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MIRS Retirement Plans

 Employees excluded from the public retirement plan must be covered for social security either under mandatory coverage or under a Section 218 Agreement.

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WIRS Retirement Plans

 Contributions by employees are exempt from FIT but not from FICA.



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MIRS Retirement Plans

- 3121(b)(7)(F) Retirement System
- Employee deferrals exempt from federal income tax withholding
- Subject to social security and Medicare taxes
- Employer contributions are exempt from federal income tax withholding, social security, and Medicare taxes.

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WIRS 401(a) & 403(b) Plans

- 401(a) are considered "qualified" and offer certain tax advantages.
- 403(b) Plans also called tax sheltered annuities
 - public schools, certain tax-exempt organizations
 - · ministers.

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MIRS You have 401(a) or 403(b)?

- Employee deferrals are exempt from fit but are subject to FICA.
- Employer contributions are exempt from fit withholding, social security and Medicare taxes.

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MIRS	457(b) Plan	
 State 	and local governme	ents
	exempt organization	
• ER &	EE contributions ar	e exempt from
FIT w	ithholding but subje	ect to FICA
31	www.IRS.gov/Retirement	
<u> </u>	m nato go medicinent	
MIRS	Worker Classific	cation
W/IIVO	Worker Glassin	oution .
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	et all filing requirement	s
	at similar workers unifo	
	Publication 1976, Sec	
	ployment Tax Relief Re F) for more information	
(, 2	i) for more imormation	••
32	www.IRS.gov/Retirement	
MIRS	Question 1	
	er Classification	Worker Classification
	e categories	Please Choose One:
• Fi	ehavioral Control nancial Control	Independent
• Re	elationship of the parties	Contractor
		Employee
		Employee
		Employee

WIRS Publication 963 Chapter 4

 Form SS-8, "Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding"



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WIRS Categories of Workers

- Elected officials
- Public Officials
- Appointed Officials
- Fee-based positions
- Existing Employees

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WIRS Fringe Benefits

- Publication 15-B
- FSLG Fringe Benefit Guide
- Accountable plan rules



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MIRS Accountable Plan

- Employee must:
 - Incur expenses performing work of employer
 - Substantiate expenses within a reasonable period of time
 - Return amounts in excess of expenses within a reasonable period of time.

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MIRS Accountable Plan Rules

- When met, no tax reporting necessary
- Otherwise, wages on Form W-2
- Subject to employment taxes
- Employee may deduct on Form 1040

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MIRS Personal use of vehicle

- Qualified non-personal use vehicle?
- Personal use of a government-owned vehicle is a taxable fringe benefit.



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WIRS Personal use

- Value of commuting
- Even if for the convenience of the employer
- The FMV of the fringe benefit wages subject to income and employment taxes.

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MIRS Qualified non-personal use

- An employee is not likely to use for personal purposes because of its design.
- Exclude from employee income.



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MIRS How to value

- · One of two methods.
 - General valuation rule: the price a willing buyer would pay to a willing seller in an arm's-length transaction (FMV)
 - Alternate valuation rules:
 - Lease value rule based upon ALV of the vehicle.
 - Cents-per-mile rule calculated at a mileage rate
 - Commuting rule \$1.50 per one way commute

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WIRS Refer to Publication 15-B • Important details and discussion of the valuation rules **WIRS Clothing** • Safety Clothing & Uniforms **MIRS** Group-Term Life Insurance • \$50k excludable from social security, Medicare, and income tax • Excess of \$50k subject to social security and Medicare, but not income tax withholding.

MIRS Meals

- May be excludable
 - "De minimis" meals
 - For the convenience of the employer
 - Certain Meals & Entertainment
 - Overnight travel





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MIRS Lodging

- Excludable when provided
 - Employer's convenience
 - · Condition of employment
 - · Employer's business premises



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MIRS Educational Assistance

- Qualified educational assistance program
- Working condition fringe benefit
- Publication 970, Tax Benefits for Education.

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MIRS Achievement Awards

 If you provide them, see Publication 535, Business Expenses for more information.



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MIRS Membership Fees Paid

- Limited use Athletic/Rec. facility, on employer premises may be excludable
- Third-party owned facilities taxable



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MIRS Moving Expenses

- Expenses that would be deductible if the employee had paid them are excludable
- Described in Publication 521, Moving Expenses

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WIRS Gift Certificates

 Gift certificates are never excludable from income as de minimis fringe benefits because they are cash equivalents in most cases.





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MIRS INTERNATIONAL

- Non US citizen employees or independent contractors furnish you with Form I-9, Form W-4, or a W-8 series form.
- Your best resource for determining who is a nonresident or resident alien is Publication 519.

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WIRS VISA Documentation

- · Request appropriate documentation
- Nonresident alien students may be eligible for the student FICA exception.
- H-1 Visas are subject to FICA



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MIRS Non Resident Aliens	
 Complete a Form W-4 Read Notice 1392 Employee completes Form 8233 if they are subject to an international treaty Review Publication 15 	
55 www.IRS.gov/Retirement	
IRS Treaty Information	
 Publication 901 has treaty information. 	
56 www.IRS.gov/Retrement	
₩IRS No Treaty Exemption?	1
 Presumption rules described in Publication 515 may apply 	
 Follow the steps outlined in Chapter 9 	
of Publication 15 to withhold.	
57 www.IRS.gov/Retirement	

WIRS Withholding

- Generally required at 30% (or lower treaty rate) of the gross amount paid to a nonresident alien.
- Use Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding for payments to nonresident aliens.

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MIRS International compliance docs

- W-8 series form
- Notice 1392
- Publication 519
- Form 1042
- Form 1042-S
- Publication 15 Chapter 9
- Publication 515 Presumption rules
- Form 8233

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MIRS OTHER TAX ISSUES

- Employment Tax Filing
- Reconciling
- Payments to independent contractors
- Utilize Form W-9

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MIRS	Form W-9
Confi	rm the legal status of:
• LLC	
• Sole	proprietor
	a Corporation? edical provider?
• At	torney?
• CP2	100/A received from IRS for the vendor?
61	www.IRS.gov/Retirement
#9IDC	Dooleyn withholding
MIRS	Backup withholding
• Require	ed when
	xpayer identification number (TIN) in
	anner required; or
	RS has notified you with CP2100
-	backup withholding on Form
945.	
	blication 1281 and
Publica	ation 15
62	www.IRS.gov/Retirement
MIRS	Form 1099-MISC
	1 01111 1000 MIIOO
 For ser 	vice payments to individuals,
partner	rships, and certain corporations
• Attorne	eys whether or not incorporated
	I and health care payments

Passenger Automobiles No personal use. No personal use except for commuting.

MIRS Educational Assistance

 Must be in writing and meet certain other tests.



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All are available at www.irs.gov/Forms&-Pubs. Current Forms & Pubs Latest revision of Forms, Instructions, and Publications of Portionard in PEF forms and Publications in PEF format & Pubs Comma & Pubs C

WIRS Complete?

- Contact me for assistance.
- If you prefer, you may call the Government Entities help line 1-877-829-5500



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WIRS You are invited!

- Join the next Forum scheduled for May 28th.
- Sign in at 10:00 a.m., 2:00 p.m., or both.
- Thank you!



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