

FSLG COMPLIANCE SELF-ASSESSMENT TOOL

Introduction

This FSLG Compliance Self-Assessment Tool is a resource designed by the IRS office of Federal, State and Local Governments (FSLG) for the voluntary use by state and local government entities to conduct a self-assessment of their level of compliance with Federal tax requirements.

Public employers have unique legal requirements for compliance with the Federal tax and social security laws. These employers need to be aware of the rules that apply to them and their workers (both employees and independent contractors), especially those related to Federal income, social security, and Medicare taxes, and public retirement system obligations.

The self-assessment tool is designed to help public employers identify areas that indicate potential compliance issues. It is intended to be completed by the persons responsible for withholding and paying employment taxes in your organization.

At the beginning of each section, there is a brief description of the basic legal requirements that apply to public employers for that category. In most cases, a brief description of the law is provided with links to IRS publications or other material that will provide more complete information on the topic.

Note: This self-assessment tool is intended as a general guide to the most common tax issues you face as a public employers may encounter, and to direct you to further information as needed. It is not intended to provide legal advice. It does not cover every question you may face. The self-assessment tool is provided for general information only and should not be relied upon as legal advice or a determination by the IRS with respect to a particular tax situation. View the sources cited for complete information.

Common Errors

FSLG conducts two types of activities to measure compliance with tax laws - compliance checks and examinations. An examination is the systematic inspection of the books and records of a taxpayer for the purpose of making a determination of the correct tax liability. A compliance check is a contact with the customer that involves a review of filed information and tax returns of the entity. It is less burdensome and can generally be accomplished in one or two contacts with the taxpayer. A compliance check serves as an opportunity to educate the taxpayer and encourage compliance with regard to employment tax law and filing requirements.

From past compliance checks and examinations of public employers that the FSLG has conducted, a number of common errors have been identified. Some of these are listed below.

- Totals shown on Forms 941 or Form 944 do not reconcile with totals on Forms W-2 and W-3, or between these forms and the accounting records.
- Forms W-9 and W-4 are not being used or are not being updated when necessary.
- Failure to backup withhold on payments to vendors when required.
- Failure to correctly complete or file Forms 1099.
- Failure to apply accountable plan rules to reimbursements and allowances.
- Incorrect or missing employment tax deposits.

- Failure to follow electronic filing requirements.
- Treatment of certain groups of workers as independent contractors, rather than as employees.
- Failure to pay and withhold Medicare-only tax on rehired annuitants.
- Failure to include taxable noncash benefits in employee wages.
- Failure to correctly apply withholding rules to election workers and public officials.

For Assistance While Completing the Form

The following Federal tax information is available from the FSLG website, www.irs.gov/govt/fslg.

- [Publication 963, Federal-State Reference Guide](#)
- [Quick Reference Guide for Public Employers](#)
- [Publication 1779, Independent Contractor or Employee](#)
- [FSLG Toolkit](#)
- [Retirement Plans for Government Employers](#)
- [Governmental Plans Information \(IRS Employee Plans\)](#)
- [Publication 15, Employers Tax Guide](#)
- [Publication 15-A, Employer's Supplemental Tax Guide](#)
- [Publication 15-B, Employer's Guide to Fringe Benefits](#)
- [Taxable Fringe Benefit Guide](#)

General SSA information is available at the Social Security Administration [website](#) and more specific information pertinent to government employers and employees is available at: www.ssa.gov/slge.

National Conference of State Social Security Administrators (NCSSSA) website includes contact information for your state's Social Security Administrator, who is responsible for maintaining and administering the state's Section 218 Agreement and Modifications with the [Social Security Administration](#).

For Assistance and Further Information After Completing the Form

An FSLG Specialist can help you interpret the results of the self-check and ensure that you know what, if any, steps you need to take to be fully compliant with all applicable Federal tax laws, rules, and regulations. The names and contact information for FSLG staff are available at [Local FSLG Contact Information](#).

The FSLG Specialist may recommend that you contact your State Social Security Administrator for clarifications and information about a Section 218 Agreement or Modification, how to obtain Medicare-only coverage for Medicare-exempt employees, or other similar information. Each state has unique laws governing voluntary social security and Medicare coverage agreements for state and local government

employees. To learn more, you should contact the State Social Security Administrator for your state. A list by state is available at <http://www.ncssa.org/statessadminmenu.html>.

You may also contact SSA for further information about coverage and benefits under social security and Medicare.

FSLG offers a process by which a government employer can voluntarily disclose an identified error and solicit resolution via a walk-in closing agreement. Employers interested in such a resolution may contact an FSLG Specialist or submit a detailed letter disclosing the specific nature of the tax error, the employees affected and their proposed resolution. The letter should be submitted to the following address:

Internal Revenue Service
T:GE:FSLG:CPM
1111 Constitution Avenue NW
Washington, DC 20224
ATTN: Closing Agreement Coordinator

Compliance Categories

The self-assessment tool consists of the following seven categories.

- Social Security (Section 218 Agreement and Mandatory Social Security)
- Medicare
- Retirement Plan Coverage
- Worker Classification: Employee versus Independent Contractor
- Fringe Benefits
- International Issues
- Other Tax Issues: Information Returns, Independent Contractor Vendors, Payments, Back-up Withholding, and Timely Filing of Returns

We suggest that you mark the boxes below, as follows:

OK – for items that either do not apply, or that apply but you believe that you are in compliance.

Flag – the item applies but you are uncertain that you are in compliance.

OK	Flag	SOCIAL SECURITY
		<p>1. Does the entity have a voluntary social security (full social security and Medicare) coverage agreement, often referred to as a Section 218 Agreement or Modification to the State's Section 218 Agreement?</p> <p>If not, SKIP to question 4 in this section.</p> <p><i>Note: If your are unsure whether your entity is covered by a Section 218 Agreement or to obtain a copy of your Section 218 Agreement and any related modifications, you may contact your State Social Security Administrator. These are listed at http://www.ncsssa.org/statessadminmenu.html</i></p>
		<p>2. If you have a Section 218 Agreement, are services performed by any of your employees excluded from social security and Medicare coverage?</p> <p><i>Note: Federal law requires the exclusion of the following services from voluntary (Section 218) coverage under the Social Security Act (Section 218(c)(6)):</i></p> <ul style="list-style-type: none"> • Services performed by individuals hired to be relieved from unemployment. • Services performed in a hospital, home or other institution by a patient or inmate thereof as an employee of a state or local government. • Services performed by an employee hired on a temporary basis in case of fire, storm, snow, earthquake, flood or similar emergency. • Services performed by a nonresident alien temporarily residing in the U.S. holding an F-1, J-1, M-1 or Q-1 visa, when the services are performed to carry out the purpose for which the alien was admitted to the U.S. • Covered transportation service as defined in SSA 210(k) <p><i>Note: Federal law allows for the optional exclusion of the following services from voluntary (Section 218) coverage under the Social Security Act):</i></p> <ul style="list-style-type: none"> • Services in positions compensated solely by fees received directly from the public are subject to SECA (Self-Employment Contributions Act), taxes. . • Services performed by a student enrolled and regularly attending classes at the school, college or university for which they are working. • Services performed by election officials or election workers paid less than the calendar year threshold amount mandated by law. • Services that would be excluded if performed for a private employer because they are not work defined as employment under Section 210(a) of the Social Security Act. <p>See IRS Publication 963, Federal-State Reference Guide, for more specific information on exclusions from Section 218 coverage.</p>
		<p>3. Do you have categories of employees who are excluded from the 218 Agreement or Modification?</p> <p><i>Note: The categories of employees excluded from the Section 218 Agreement may still be subject to social security and Medicare withholding under the Mandatory Social Security provisions if they do not participate in a retirement plan that replaces social security.</i></p> <p>List the categories of workers excluded from the Section 218 Agreement:</p>

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A. Have there been any Modifications to the 218 Agreement or the original Modification that covered your entity under the Section 218 Agreement? (You may need to contact your State Social Security Administrator to answer this question) If “yes”, list all Modification numbers, dates, and a description of what changes to the Section 218 Agreement were made by each Modification. If there have been no modifications, skip to Question 5.

List the Modifications here:

Note: Your State Social Security Administrator prepares Section 218 modifications to the state’s agreement to include additional coverage groups, correct errors in other modifications, identify additional political subdivisions that join a covered retirement system, or obtain Medicare coverage for public employees whose employment relationship with a public employer has been continuous since March 31, 1986.

To learn more, you should contact the State Social Security Administrator for your state by going to: <http://www.ncssa.org/statessadminmenu.html>.

4. Is the entity subject to mandatory social security coverage?

- *Note: After July 1, 1991, full-time, part-time, temporary and seasonal employees who are not participating in a qualifying) retirement system made available through their employer **must be covered by social security**, as required by 3121(b)(7)(F) of the Internal Revenue Code. The Code, however, exempts employees performing the following services from mandatory social security and Medicare taxes*
- *Services performed by individuals hired to be relieved from unemployment.*
- *Services performed in a hospital, home or other institution by a patient or inmate thereof as an employee of a state or local government.*
- *Services performed by an employee hired on a temporary basis in case of fire, storm, snow, earthquake, flood or similar emergency.*
- *Services performed by a nonresident alien temporarily residing in the U.S. holding an F-1, J-1, M-1 or Q-1 visa, when the services are performed to carry out the purpose for which the alien was admitted to the U.S.*
- *Services in positions compensated solely by fees received directly from the public are subject to SECA (Self-Employment Contributions Act), taxes, unless a Section 218 Agreement covers these services.*
- *Services performed by a student enrolled and regularly attending classes at the school, college or university for which they are working, unless a section 218 Agreement covers these services. (Refer to the chart at http://www.ssa.gov/slqe/student_ouverage_chart.htm for the student exclusions for each state).*
- *Services performed by election officials or election workers paid less than the*

		<p>calendar year threshold amount mandated by law unless a section 218 Agreement covers election workers. .</p> <ul style="list-style-type: none"> • Services that would be excluded if performed for a private employer because they are not work defined as employment under Section 210(a) of the Social Security Act <p>See IRS Publication 963, Federal-State Reference Guide, for more specific information on exclusions from mandatory social security coverage.</p>
		Note:
OK	Flag	MEDICARE
		<p>1. Do you have any employees who are exempt from Medicare under the Continuing Employment Exception?</p> <p>Note: Almost all state and local government employees are covered by Medicare. All employees covered under a section 218 agreement are covered and employees covered by mandatory social security tax are also covered, unless the employee meets the continuing employment exception. IRC section 3121(u). The continuing employment exception applies to an employee hired by a state or political subdivision employer before April 1, 1986, only if the employee is a member of a public retirement system within the meaning of IRC section 3121(b)(7)(F) and meets ALL of the following requirements:</p> <ul style="list-style-type: none"> • The employee was performing regular and substantial services for remuneration for the State or political subdivision employer before April 1, 1986; • The employee was a bona fide employee of that employer on March 31, 1986; • The employment relationship with that employer was not entered into for purposes of avoiding the Medicare tax; and • The employment relationship with that employers been continuous since March 31, 1986.. <p>The same services listed above in No. 4 that were excluded from mandatory social security tax are also excluded from the Medicare tax. If you have questions concerning whether certain employees meet the continuing employment exception, please contact your State Social Security Administrator at http://www.ncsssa.org/statessadminmenu.html</p>
		<p>2. Are there any employees from whom Medicare is not withheld, other than those who meet the exceptions from employment listed above under “Social Security Tax”, Item #2?</p>
		<p>3. Does the entity employ any rehired annuitants?</p> <p>Note: A rehired annuitant is an individual who is rehired by his or her employer or another employer that 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 or (2) has reached normal retirement age under the retirement</p>

		system.
		A. If “yes”, (the employer does have rehired annuitants), do you pay and withhold social security tax on those employees?
		B. If “yes”, do you pay withhold and Medicare tax on those employees? <i>Note: When an employee retires he or she has terminated employment for purposes of the continuing employment exception. Thus, if that former employee is rehired, he or she will be subject to Medicare tax, even if the employee was previously exempt on account of the continuing employment exception.</i>
OK	Flag	RETIREMENT PLAN COVERAGE
		1. Does the entity have a public retirement system that qualifies as a replacement for social security coverage? <i>Note: A governmental retirement plan must meet certain minimum benefit or contribution standards to qualify as a public retirement system, and thereby serve as a “replacement” plan exempting the participants from mandatory Social Security coverage. These standards are based solely on meeting a minimum benefit level provided (defined benefit plan) or a minimum amount contributed (defined contribution plan) to the participant.</i> <i>Any person working for a public employer after July 1, 1991, who is not covered in a public retirement plan that meets the requirements discussed above and, if applicable, the defined benefit system safe harbor rules of Revenue Procedure 91-40, must be covered by Social Security and Medicare under the mandatory coverage provisions of Section 210 of the Social Security Act.</i> For more information about public retirement systems (Social Security replacement plans), go to the Retirement Plans for Government Employers, http://www.irs.gov/govt/fslg/article/0,,id=158481,00.html and Chapter 6 of the Federal-State Reference Guide, Publication 963, http://www.irs.gov/pub/irs-pdf/p1779.pdf .

		<p>2. Is the public retirement plan offered to all employees?</p> <p>A. If not, what categories of employees are NOT covered? (Specify all that apply)</p> <p>Employee categories that do not participate in a qualifying public retirement plan:</p> <p>_____</p> <p>_____</p> <p>_____</p> <p><i>Note: Employees in these categories must be covered for social security either under mandatory coverage or a Section 218 Agreement.</i></p>
		<p>3. Are the contributions to retirement plans subject to the applicable employment taxes?</p> <p>a. 3121(b)(7)(F) retirement systems</p> <ul style="list-style-type: none"> • Employee deferrals are exempt from Federal income tax withholding but are subject to social security and Medicare taxes. • Employer contributions are exempt from Federal income tax withholding, social security, and Medicare taxes. However, if the retirement system is not an “exempt governmental deferred compensation plan,” employer contributions are subject to social security and Medicare withholding as of the later of when the services are performed, or when there is no substantial risk of forfeiture. <p>b. 401(a) and 403(b) plans –</p> <ul style="list-style-type: none"> • Employee deferrals are exempt from Federal Income tax withholding but are subject to social security and Medicare taxes. • Employer contributions are exempt from Federal Income tax withholding, social security and Medicare taxes. <p>c. 457(b) plans –</p> <ul style="list-style-type: none"> • Employee deferrals are exempt from Federal income tax withholding but are subject to social security and Medicare taxes. • Employer contributions are exempt from Federal income tax withholding but are subject to social security and Medicare taxes when no longer subject to substantial risk of forfeiture.
OK	Flag	WORKER CLASSIFICATION
		<p>1. Are all of your workers properly classified as either employees or as independent contractors?</p> <p><i>Note: Under the common-law standard applied by the IRS, there are three categories of factors (Behavioral Control, Financial Control and Relationship of the parties) that should be considered to determine whether the worker is an employee or independent contractor.</i></p> <p>See Publication 963, Chapter 4, for information about worker classification.</p> <p>You can submit Form SS-8, <i>Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding</i>, to the IRS to obtain a</p>

		<p>determination about whether or not a particular worker is an independent contractor or employee of the governmental entity. Form SS-8 is available at: http://www.irs.gov/pub/irs-pdf/fss8.pdf.</p>
		<p>2. Does the entity have any the following categories of workers, and are they classified as employees?</p>
		<p>A. Elected officials.</p> <p><i>Note: A public official has authority to exercise the power of the government and does so as an agent and employee of the government. For this reason, the Supreme Court has held that public officials are employees. A public official performs a governmental duty exercised pursuant to a public law. A public office is a position created by law, holding a delegation of a portion of the sovereign powers of government to be exercised for the benefit of the public.</i></p> <p><i>For the same reason, elected officials are subject to a degree of control that typically makes them employees under the common law. Elected officials are responsible to the public, which has the power not to reelect them. Elected officials may also be subject to recall by the public or a superior official. In any event, elected officials are employees for income tax withholding purposes under Internal Revenue Code section 3401(c).</i></p> <p><i>Examples of public officials include, but are not limited to, the, governor, mayor, county commissioner, judge, justice of the peace, sheriff, constable, registrar of deeds, building and plumbing inspectors.</i></p>
		<p>B. Appointed officials.</p> <p><i>Note: Generally, few appointed officials have sufficient independence such that they will not be considered common-law employees. See Publication 963.</i></p>
		<p>C. Fee-based positions.</p> <p><i>Note: In general, if an individual performs services as an official of a governmental entity and the remuneration received is paid from governmental funds, the official is an employee and the wages are subject to Federal employment taxes.</i></p>
		<p>3. Do any employees also receive Form 1099-MISC, Miscellaneous Income, for services that are substantially similar to the services reported as wages on Form W-2, Wage and Tax Statement?</p> <p><i>If so, the amounts reported on Forms 1099-MISC should be reported as W-2 wages subject to applicable employment taxes and not reported on Form 1099-MISC.</i></p>

OK	Flag	FRINGE BENEFITS
		<p>1. Does the entity have an “accountable plan” for reimbursement of expenses incurred by employees?</p> <p><i>Note: In general, reimbursements or advances for expenses paid by the employer on behalf of the employee are taxable unless they are working condition fringe benefits and are ordinary and necessary employee business expenses that would otherwise qualify for a deduction by the employee, and the reimbursements or advances are made under an accountable plan. For payments to be considered to be made under an accountable plan, the employee must:</i></p> <p><i>(a) Incur the expenses in the performance of work,</i></p> <p><i>(b) Substantiate the expenses within a reasonable period of time, and</i></p> <p><i>(c) Return any amounts in excess of expenses within a reasonable period of time.</i></p> <p><i>If the accountable plan rules are met, no tax reporting is necessary. If they are not met, the reimbursements or advances are included in wages on Form W-2 and subject to the withholding and payment of employment taxes and the employee may deduct allowable business expenses as miscellaneous itemized deductions on his or her Form 1040</i></p>
		<p>2. Does the entity include the taxable amount of the following fringe benefits as wages when applicable?</p>

		<p>A. Personal use of a government-owned vehicle?</p> <p>Note: Unless it is excludable as a qualified nonpersonal use vehicle, the personal use of a government-owned vehicle is a taxable fringe benefit. Personal use includes the value of commuting to and from work in a government-owned vehicle, even if the vehicle is taken home for the convenience of the employer. The fair market value of the fringe benefit must be included in wages and is subject to income and employment taxes.</p> <p>However, employee use of a qualified nonpersonal use vehicle qualifies as a working condition fringe. You can exclude the value of that use from employee income. A qualified nonpersonal use vehicle is any vehicle the employee is not likely to use more than minimally for personal purposes because of its design. See Publication 15-B for more information.</p> <p>The value of the use of the vehicle is determined using one of these methods.</p> <p>General valuation rule: the fair market value of a fringe benefit is defined as the price a willing buyer would pay to a willing seller in an arm’s-length transaction.</p> <p>Alternate valuation rules: each of the following may be used under certain circumstances:</p> <ol style="list-style-type: none"> 1. Lease value rule- Determines the benefit by determining the annual lease value of the vehicle. 2. Cents-per-mile rule- Personal use may be included in wages at a mileage rate (50 cents per mile for 2010) 3. Commuting rule – An amount of \$3.00 per day or \$1.50 per one way commute is a taxable fringe benefit.. <p>Note: Detailed discussion of the valuation rules are included in Publication 15-B.</p>
		<p>B. Clothing provided by the employer</p> <p>Note: Clothing and uniforms provided by the employer are excluded from income if required by work and not suitable for non-business use.</p>
		<p>C. Group-Term Life Insurance</p> <p>Note: The cost of \$50,000 of group-term life insurance per year may be excludable from social security, Medicare, and income tax for each employee. The table for determining the cost of the additional insurance is included in Publication 15-B. The cost of group-term life insurance in excess of \$50,000 is subject to social security and Medicare, but not subject to income tax withholding.</p>
		<p>D. Meals</p> <p>Note: Meals may be excludable from income in the following cases:</p> <ol style="list-style-type: none"> 1) “De minimis” meals, for example, occasional group meals. 2) Meals for the convenience of the employer, provided on the business premises. 3) Meals paid for or reimbursed as a working condition fringe. <p>See Publication 15-B for information on meals as a fringe benefit.</p>

		<p>E. Lodging</p> <p><i>Note: Excludable if for employer's convenience as a condition of employment, if on the employer's business premises. Lodging costs may also be excludable if paid for or reimbursed as working condition fringe.</i></p> <p>See Publication 15-B for information on lodging as a fringe benefit.</p>
		<p>F. Educational Assistance</p> <p><i>Note: May be excludable if qualifies:</i></p> <ul style="list-style-type: none"> a) under educational assistance program (up to \$5,250 per year). b) as a working condition fringe benefit. <p>For more information, see Publication 970, Tax Benefits for Education.</p>
		<p>G. Achievement awards or length of service awards</p> <p><i>Note: For more information, see Publication 535, Business Expenses.</i></p>
		<p>H. Membership Fees Paid</p> <p><i>Note: Excludable if for professional and business-related organizations and reasonable business purpose.</i></p>
		<p>I. Use of athletic or recreation facilities, on employer-owned premises (Includes the use of employer's on-premise facilities to conduct summer sports camps.)</p> <p><i>Note: May be excludable if substantially all use is by employee, spouse or dependent children. Use of third-party owned facilities is generally taxable. For more information, see Publication 15-B.</i></p>
		<p>J. Moving Expenses</p> <p><i>Note: Exempt (up to limits) if expenses would be deductible if the employee had paid them. These rules are further illustrated in Publication 521, Moving Expenses.</i></p>
		<p>K. Gift Certificates</p> <p><i>Note: Gift certificates that are cash equivalent and are redeemable for a range of items are treated as cash. Infrequent gift certificates redeemable for only a particular item of low value may qualify as a de minimis fringe benefit.</i></p>

OK	Flag	INTERNATIONAL
		<p>1. Did the employer make payments of any item of income to a foreign person that is subject to withholding?</p> <p>If not, you may indicate "OK" and skip the International Issues section.</p> <p><i>Note: Employees or independent contractors who are not U.S. citizens may be required to furnish their employer with a Form I-9, Employment Eligibility Verification Form W-4, Employee's Withholding Allowance Certificate; or a W-8 series form). P.O. Boxes from a foreign country are acceptable.</i></p>

	<p>The Form W-8 series includes:</p> <p>W-8BEN, Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding;</p> <p>W-8ECI, Certificate of Foreign Person's Claim That Income Is Effectively Connected With the Conduct of a Trade or Business in the United States;</p> <p>W-8EXPC, Certificate of Foreign Government or Other Foreign Organization for United States Tax Withholding; and</p> <p>W-8IMY, Certificate of Foreign Intermediary, Foreign Flow-Through Entity, or Certain U.S. Branches for United States Tax Withholding.</p>
	<p>2. Did the entity employ resident aliens? If so, did you follow the rules for withholding Income, social security and Medicare taxes in the same way as for U.S. citizens?</p>
	<p>3. Did the entity employ nonresident aliens?</p> <p><i>If not, indicate "OK" and skip the rest of "International" and continue with "Other Issues" below</i></p> <p>Note: For information on determining who is a nonresident or resident alien, see Publication 519.</p>
	<p>A. Did any of the nonresident aliens holding an F-1, J-1, M-1 or Q-1 Visa provide documentation including copies of the Visa and Form I-9 with supporting documents to support exemption from social security and Medicare taxes?</p> <p>Note: If this documentation was not provided, social security and Medicare taxes should be withheld from the wages paid to these nonresident aliens. However, a nonresident alien student may be eligible for the student FICA exception under IRC 3121(b)(10).</p>
	<p>B. Did any nonresident aliens have a visa status other than F-1, J-1, M-1 or Q-1? If so, were social security and Medicare taxes withheld as required?</p> <p>Note: Nonresident aliens holding other visas, such as an H-1 or any secondary visa would be subject to social security and Medicare withholding.</p>
	<p>C. Is Federal income tax withheld as required?</p> <p>Note: Nonresident aliens should complete a Form W-4, using Notice 1392 and Form 8233 to claim tax treaty benefits. The employer should include procedures for completing Form W-4 and use of Form 8233, Exemption From Withholding on Compensation for Independent (and Certain Dependent) Personal Services of a Nonresident Alien Individual, to claim a treaty exemption. See Publication 15 for details of the rules for completing Form W-4 and claiming a tax treaty exemption on Form 8233</p>
	<p>D. Do any nonresident aliens claim a treaty exemption using Form 8233? If so, were Federal income taxes withheld using the current</p>

		treaty provisions? (See Publication 901 for treaty information.)
		<p>E. For nonresident aliens who did not claim a treaty exemption, were Federal income taxes withheld using the presumptive rules described in Publication 15?</p> <p><i>Note: If the nonresident alien did not claim a treaty exemption, Federal withholding taxes must be computed based on the completed Form W-4 for the nonresident alien and also by following the steps outlined in Chapter 9 of Publication 15.</i></p>
		<p>4. Do you have vendors/outside contractors that are nonresident aliens?</p> <p><i>Note: Generally, you must withhold 30% (or lower treaty rate) from 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.</i></p>
		<p>5. Are payments to a nonresident alien subject to NRA withholding reported on Form 1042-S and was a tax return filed on Form 1042, if you were required to withhold?</p>
OK	Flag	OTHER TAX ISSUES (See Publication 15)
		1. Employment Tax Filing:
		A. Are all Forms 941/944 filed as required?
		B. Are all Forms 941/944 filed by the date required?
		C. Are all Forms 941/944 filed complete and accurate?
		D. Do wage and withholding amounts for income, social security and Medicare reconcile between Forms W-3, W-2, and 941? Do the amounts reported on these forms also reconcile to the accounting records for the most recent calendar year?
		2. Independent Contractor Reporting:
		A. Does the employer make payments to independent contractors?
		B. Are Forms W-9, Request for Taxpayer Identification Number and Certification, on file for every vendor or independent contractor?
		<p>C. Are all Forms W-9 secured prior to initial payment?</p> <p><i>Note: You should obtain vendor information before any payments are made. Use Form W-9 (http://www.irs.gov/pub/irs-pdf/fw9.pdf), Request for Taxpayer Identification Number and Certification to collect the owner's name (if sole proprietor), legal business name, mailing address, taxpayer identification number.</i></p>
		D. Are all Forms W-9, properly completed?

		E. Are Forms 1099-MISC filed for payments to all vendors (except for some legally exempt ones) and independent contractors for payments in excess of \$600 per year?
		F. Does the entity file Forms 1099-MISC as required for payments for services of \$600 or more per year?
		G. Does the entity file Form 1099-MISC for payments to individuals, partnerships, and certain corporations?
		H. Does the entity file Form 1099-MISC for payments to attorneys, even if incorporated?
		I. Does the file Form 1099-MISC for medical and health care payments, even if incorporated?
		<p>3. Did the entity withhold Federal income tax on miscellaneous income under the backup withholding rules, if applicable?</p> <p><i>Note: You may have received Notice CP2100 that prior year information returns contained missing or incorrect taxpayer identification numbers.</i></p> <p><i>You must backup withhold on reportable payments made to a U.S. person that is subject to Form 1099 reporting if (1) the U.S. person has not provided its taxpayer identification number (TIN) in the manner required or (2) The IRS notifies you that the TIN is incorrect. Generally, a TIN must be provided on Form W-9. A payer reports backup withholding on Form 945.</i></p> <p><i>For further information about backup withholding, see Publication 1281, Backup Withholding for Missing and Incorrect Name/TINs. Also, a more detailed compliance self-assessment tool for IRS backup withholding requirements is available at: http://www.irs.gov/pub/irs-pdf/p15.pdf (IRS Publication 15).</i></p>
		4. Do you have written policies in place for the following?
		<p>A. Employer-provided passenger automobiles?</p> <p><i>Note: Two types of written policy statements relating to a vehicle provided by the employer, qualify as sufficient evidence corroborating the employer's own statement and therefore will satisfy the substantiation requirements if initiated and kept by an employer to implement a policy of either:</i></p> <p><i>1) No personal use – see the requirements of Regulation 1.274-6T(a)(2).</i></p> <p><i>2) No personal use except for commuting – see the requirements of Regulation 1.274-6T(a)(3).</i></p> <p><i>A written policy statement adopted by a governmental unit as to employee use of its vehicles (for example, a city council resolution or a state law) meets these substantiation rules if the conditions in the above cited Regulations are met.</i></p>
		<p>B. Other listed property or reimbursement of travel expenses (meeting the accountable plan rules)</p> <p><i>Note: It is not required that the employer have a separate written policy to meet the</i></p>

		<p><i>substantiation requirements for these items. Adequate accounting for these items means the submission to the employer of an account book, diary, log, statement of expense, trip sheet, or similar record maintained by the employer in which the required information as to each element of expenditure or use is recorded at or near the time of the expenditure or use in a manner that conforms to the listed property requirements.</i></p>
		<p>C. Educational assistance program?</p> <p><i>Note: For benefits to be excludable, an educational assistance plan must be in writing and meet certain other tests. See Publication 15-B.</i></p>
		<p>5. Are you required to file any of the following Federal tax returns?</p>
		<p>A. Form 720, Quarterly Excise Tax Return</p>
		<p>B. Form 990, Return of Organization Exempt from Income Tax</p>
		<p>C. Form 990-T, Exempt Organization Business Income Tax Return</p>
		<p>D. Form 1096, Annual Summary and Transmittal of U.S. Information Returns</p>
		<p>E. Form 1098-E, Student Loan Interest Statement</p>
		<p>F. Form 1098-T, Tuition Statement</p>
		<p>G. Form 1099-G, Certain Government Payments</p>
		<p>H. Form 1099-INT, Interest Income</p>
		<p>I. Form 1099-MISC, Miscellaneous Income</p>
		<p>J. Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.</p>
		<p>K. Form 8300, Cash Payments over \$10,000 Received in Trade or Business</p>
		<p>L. Form W-2, Wage and Tax Statement</p>
		<p>M. Form W-3, Transmittal of Wage and Tax Statements</p>
		<p>6. Form W-4, Employee's Withholding Allowance Certificate</p>
		<p>A. Are Forms W-4 on file for every employee?</p>
		<p>B. Are all Forms W-4 secured prior to initial payment?</p>
		<p>C. Are all Forms W-4 properly completed?</p>
		<p>D. Are new Forms W-4 secured each year on all individuals claiming to be exempt from income tax withholding?</p>

You have completed the FSLG Compliance Self-Assessment Tool. If you believe you have compliance issues based on your responses above, that you contact your IRS Federal-State-Local Government (FSLG) Specialist for assistance at <http://www.irs.gov/govt/fslg/article/0,,id=96060,00.html>.