

Social Security Administration

Internal Revenue Service

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A Newsletter
for Employers

Find Companies that Offer Wage Reporting Products/Services

Visit SSA's online Vendor List to find companies that offer W-2 (Wage and Tax Statement) reporting products and services. The list contains over 250 companies across the country that provide a variety of services and/or products to help employers meet their annual wage reporting responsibilities. The list includes:

- service bureaus that offer electronic, magnetic tape, and 3 1/2 inch diskette filing;
- off-the-shelf and customized software products;
- companies that offer free W-2 filing services.

The list is for filer information only and does not imply an endorsement by the SSA of the products or services by SSA.

To view the list, go to www.ssa.gov/employer and select Vendor List. If you do not have internet access and would like a printed copy of the Vendor List, fax your request to 410-966-8753. **SSA**

News For You 2002

The IRS has made several operational and policy changes to improve service to taxpayers. News For You 2002 at www.irs.gov contains the latest information from the IRS.



Topics include:

- New mailing addresses for returns;
- Streamlined procedures for obtaining an Employer Identification Number;
- Large Corporate Tax Filing.

Details on these and other tax law and policy changes can be found in News For You 2002. As the IRS continues its largest reorganization in nearly half a century, News For You 2002 highlights many of the changes taking place to improve service to taxpayers. **IRS**

New Reporting Requirements

Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding

The IRS has established new regulations and reporting requirements for U.S. source income paid to Nonresident Aliens. The new 1441 regulations will have a major impact on many taxpayers, and also affect much of how the IRS does business.

The new regulations help IRS meet legislative mandates to promote compliance and improve the accuracy of information reporting. Improved information reporting helps the IRS collect the proper amount of tax by enhancing the exchange of information with foreign treaty partners. The regulations also encourage continued investment in U.S. securities, while maintaining the confidentiality of the customer base of foreign financial institutions.

These regulations affect employers and payers who make payments subject to reporting on Forms 1099 and W-2, as well as Form 1042-S. However, payments subject to reporting on

Form 1042-S generally have different withholding and reporting requirements.

Form 1042-S is used to report many different types of payments. Reportable payments are generally subject to withholding at a rate of 30%, unless the payments are exempt from withholding under the Internal Revenue Code or a tax treaty or are subject to reduced withholding under an income tax treaty with the recipient's country of residence for tax purposes. The withholding rate is also based on the type of income. There are also numerous rules that govern Form 1042-S reporting.


One requirement is the same for all information returns under Regulation Section 6011(e)(2)(A): Persons required to file 250 or more information returns must file those returns magnetically or electronically. Withholding agents, employers, and payers that are required to file Form 1042-S magnetically or electronically must adhere to the

format and specifications in Publication 1187 (Rev. Proc. 2001-40).

Please note that Publication 1187 and Form 1042-S processing have undergone major revisions. The record format and processing procedures are very different from previous years. Filers should make sure they are using the most current publications when reporting payments made to nonresident aliens for tax year 2001.

Although filers may file Form 1042-S magnetically, IRS encourages electronic filing through the Filing Information Returns Electronically (FIRE) System. Electronic filing has definite advantages (See the related article in this issue of the *SSA/IRS Reporter*).

The FIRE System can be accessed via analog and ISDN BRI connections (not an Internet connection). The telephone number for electronic filing is 304-262-2400. Technical assistance will be available Monday through Friday between 8:30 a.m. and 4:30 p.m. Eastern time by calling 866-455-7438 or 304-263-8700 (not a toll free number).

Information about withholding and reporting requirements for Form 1042-S can be found in Publication 1187, *Specifications for Filing Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding, Magnetically or Electronically* (Revised 8/2001), Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Corporations* (Revised 2/2001), 2001 Instructions for Form 1042-S, and 2001 Instructions for Forms 1099, 1098, 5498, and W-2G. 

SSA/IRS

Reporter

SSA/IRS Reporter is published quarterly, Spring (March), Summer (June), Fall (Sept.), and Winter (Dec.) by the IRS Small Business/Self-Employed Communications Office.

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Note from the editor:

Thank you for your feedback. Responses indicated you wish to continue receiving the *SSA/IRS Reporter* on paper but would like to have electronic access available for distribution to payroll employees. The newsletter is available on the www.irs.gov and the www.ssa.gov sites. For IRS access go to www.irs.gov. In the search box type *SSA/IRS Reporter*. Click on "More Tax Professionals Topics From the IRS." Scroll down to *SSA/IRS Reporter* and click. For SSA site access go to www.ssa.gov/employer/pub.htm. Then scroll down the page to find the *SSA/IRS Reporter*. Again, thank you for your comments. Your feedback is always appreciated.

Test Software Now Available for MMREF Filers

Free software is now available to test the accuracy of your 2001 Magnetic Media Reporting and Electronic Filing (MMREF) formatted reports. The AccuWage software tests the accuracy of your MMREF-1 files and AccuW2C tests the accuracy of your MMREF-2 correction files. The software checks for over 200 different errors before you send the report to SSA for processing.

It's easy to use. Just go to www.ssa.gov/employer and select **Accuwage Information and Software**. Download and install the AccuWage or AccuW2c software on your personal computer. Then tell the software the directory where your W2REPORT file is located. AccuWage or AccuW2C will read the file and inform you of any detected errors. If your software creates a W2REPORT file in the MMREF-1 format, then you should use AccuWage. For MMREF-2, correction reports, use AccuW2C. The software works only with MMREF formats.

The new tax year 2001 software is a smaller file, decreasing the download time to your personal computer. It also has a new, user-friendly HTML Error Report Option. **SSA**

IRS Encourages Electronic Filing of Information Returns Using the FIRE System

The IRS is encouraging all magnetic filers to submit their Information Returns electronically using the **FIRE** (Filing Information Returns Electronically) system. In past years, it took an average of 59 days for the IRS Martinsburg Computing Center (MCC) to process magnetic media and to notify transmitters of any problems encountered. However, the FIRE system results in faster and more efficient processing of Information Returns.

Benefits of using the FIRE System:

- It's **Paperless** – there are no Form 4804, *Transmittal of Information Returns Reported Magnetically/Electronically*, requirements
- It's **Convenient** – the system is operational 24 hours a day, 7 days a week.
- It's **Fast** – large files compressed with PKZIP or WINZIP could reduce transmission time by up to 95 percent.
- It's **Efficient** – you'll receive online notification within 1 – 2 days (excludes 1042-S, 8027 and QWF).

- It's **Easy to use** – there is better customer service due to online availability of transmitter files;

- It's **Flexible** – due dates are extended for electronically filed Forms 1098, 1099 and W-2G (March 31).

And there's another important reason to start using **FIRE**: Beginning in 2003, magnetic tape will no longer be an accepted method for submitting Information Returns to MCC. So make the switch now to **FIRE** – the new and preferred way to do business. Call IRS toll-free at 866-455-7438 between 8:30 A.M. and 4:30 P.M. Eastern Time to get started.

Additional information on the electronic filing of Information Returns can be found in Publication 1220 Part C, *Specifications for Filing Form 1098, 1099, 5498 and W-2-G Magnetically or Electronically* and Publication 3609, *The Filing Information Returns Electronically System (FIRE)*. Both are available at www.irs.gov or calling the IRS at 800-829-3676. **IRS**

Detail Reports of Name and Social Security Number Combination Errors

Effective with tax year 2001 wage reports, SSA will automatically provide a detailed error report with up to 500 employee names and Social Security numbers (SSN) that did not match SSA's records. In prior years, paper filers may not have received detailed name/SSN combination error information, while tape and diskette filers may have only received limited information. It is anticipated that the new error information will place employers in a better position to identify situations where a Form W-2c (Correction of Wage and Tax Amounts) is necessary. **SSA**

New Web Site for State and Local Government Employers

A new Web site is now available for state and local government employers. Located at www.ssa.gov/slge, it offers information about the unique Social Security and Medicare coverage and tax provisions for State and local government employees under the Social Security Act and the Internal Revenue code. It is important for public employers to know about these provisions and how they may affect their employees.

The new site includes:

- information about how public employees are covered for Social Security and Medicare,
- frequently asked questions,
- laws and regulations,
- publications,
- who to contact in your State, and
- related Web links that will help you understand the Social Security and Medicare coverage and reporting requirements for public employees. **SSA**

IRS Introduces New 941 TeleFile Program for Certain Filers of Zero Wage Returns


Businesses located in Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi or Tennessee may be able to file their Form 941, *Employer's Quarterly Federal Tax Return* over the telephone. Beginning April 1, 2002, businesses



that do not have employees, or were not required to make federal tax deposits and therefore had no taxes to report during the quarter, have the option to file their Zero Wage Return by telephone. An eligible seasonal business, one going out of business or for whatever reason had not paid wages in a specified quarter, may be able to satisfy their filing requirement using 941TeleFile.

If they receive the special TeleFile invitational insert in their 941 Tax Package they will have the opportunity to file their Zero Wage Return through the 941TeleFile system. Filing the Zero Wage Form 941, Employer's Quarterly Federal Tax Return by phone is quick, FREE and the best part is there is nothing to mail. Try it; you'll be glad you did.

If you never had employees and never made a federal tax deposit, you ARE NOT required to file a Form 941.

For more information on additional IRS *e-file* for business filing and payment options, visit the IRS Web site at www.irs.gov/elec_svs/941fact.html. 

Social Security Information for the Blind and Visually Impaired

Do you have employees who are blind or who have poor eyesight? If you do, you should know that Social Security has information about its programs in braille, audiocassette, floppy disk or enlarged print.


You can find a list of these publications at Social Security's Web site — www.ssa.gov/pubs/alt-pubs.html. If your employees want a publication that is not on the list, they can still order one.

To get copies of Social Security's publications:

- Call toll free—800-772-1213;
- Call our Braille Services Team at 410-965-6414 or 410-965-6407;
- Fax the request to 410-965-6400;
- Visit a local Social Security office; or
- Mail the request to:


Social Security Administration
Braille Services Team
1-A-19 Operations Building
6401 Security Boulevard
Baltimore Maryland 21235-0000

When you or your employees contact us, we need the following information:

- Title and publication number;
- Preferred format (braille, audiocassette, floppy disk, or enlarged print); and
- Name, address, and telephone number. 

American Payroll Association Partners with IRS and SSA

The American Payroll Association (APA) is proud to be an ongoing and integral partner with the Internal Revenue Service and the Social Security Administration. APA received SSA's 2001 Public Service Award for "commitment and dedication to partnering with SSA to improve the quality of wage and tax information through education, public service campaigns and printed material."

This unique partnership provides expert speakers from IRS and SSA at many APA conferences, including APA's Annual Congress, Educational Institutions Payroll Conference, Global Payroll Management Conference, and select seminars including Preparing for Year-End and Payroll Tax Forum. This ongoing partnership is important to providing the most accurate and up-to-date wage and tax information to employers. For more information go to www.americanpayroll.org or call 210-224-6406. 

IRS Small Business Self Employed TEC Partners with Microsoft

In a unique partnership, the IRS assisted Microsoft with the establishment of their new **bCentral** Web site. The site is geared to the business owner and the self-employed. IRS worked with Microsoft to create a user-friendly and comprehensive Web page for their customers. The page will provide tax tips, information resources and links to the business pages on the IRS's Digital Daily Web site. You are encouraged to visit **bCentral** at www.bcentral.com/marketplace/irs.asp. 