

**Social Security
Administration**

**Internal
Revenue Service**

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Department of the Treasury
Internal Revenue Service

www.irs.gov

Publication 1693 (Rev. 09-02)
Catalog Number 15060W

Reporter

Fall 2002

A Newsletter
for Employers

IRPAC Reminds Employers to Update SEP, SARSEP, SIMPLE IRA, and Keogh Documents

Employers and other filers of information returns are represented on an IRS advisory committee known as the Information Reporting Program Advisory Committee (IRPAC). IRPAC was created at the request of Congress and has been working closely with the IRS to provide input concerning information reporting requirements.

Earlier this year, the IRS released Revenue Procedure 2002-10, which provides guidance with respect to amending SEP, SARSEP, and SIMPLE IRA plan documents to incorporate changes under EGTRRA (the Economic Growth and Tax Relief Reconciliation Act of 2001) and the new minimum required distribution regulations. Most of these changes are effective beginning January 1, 2002.

The plan documents in need of amendment by the employer include:

1. SEP
2. SARSEP
3. SIMPLE IRA

If your company maintains a Keogh plan or other qualified plan (e.g., money purchase, profit-sharing, or 401(k) plan) you must amend your plan by the end of the 2002 plan year to comply with various statutory changes. For more information on these types of plans, see IRS Publication 560 (*Retirement Plans for Small Business*).

SEPs and SARSEPs

For a SEP or a SARSEP, the document that the employer uses to establish the plan can be either a Model Plan (Form 5305-SEP or Form

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Did You File Your 2001 W-2s on Magnetic Media?

If you did, and your file was formatted according to SSA's Magnetic Media Reporting and Electronic Filing (MMREF), perhaps you didn't know just how easy it is to file electronically under the new MMREF. It saves time and money because there's no need to create and mail a tape or diskette.

Plus, it offers:

- an extended filing deadline (until the end of March versus the end of February for all other filing methods),
- an electronic proof of filing, and
- the ability to track the status of your report as it's processed within SSA.

Just go to SSA's website, www.ssa.gov/employer, anytime between January 6, 2003 and March 31, 2003. Select Business Services Online and use the same PIN you entered in Code RA of the Submitter Record. You'll be prompted for a password. You should have received a

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2002 Filing Update for Accountants, CPAs, Third-Party Preparers

We've made our electronic filing services even better for Tax Year 2002. The improvements will go into effect January 6, 2003. Electronic filing is now considered the industry's "best practice" when it comes to submitting Form W-2 data to SSA. More than 104 million W-2s were transmitted electronically to SSA during the 2001 filing season! It's ideal for any submitter (employers, accountants, tax practitioners, service bureaus, etc.). There are two ways to file electronically:

Submit a Wage File

This option allows you to upload a wage report to SSA using the Internet. Format your wage report according to SSA's Magnetic Media Reporting and Electronic Filing (MMREF-1) publication. In many cases, your software provider has done this for you. The TY 2002 MMREF-1 is available at www.ssa.gov/employer, select *Forms and Publications*.

or

Use W-2 Online

This option also uses the Internet but instead of uploading an MMREF formatted report, it

allows you to create Forms W-2 on your computer. For TY 2002 filing, you can complete and submit up to 20 Forms W-2 (increased from 10 W-2s for TY 2001). You also have the option to print Form W-2 statements suitable for employee distribution and your client's records. You'll need Adobe Acrobat Reader to print the forms.

Registration is required. You can register at anytime. Just follow these simple steps:

1. Go to the web site, www.ssa.gov/employer and select *Business Services Online* (formerly Employer Services Online).
2. Follow the "Registration Screen" prompts.
3. You'll be issued a Personal Identification Number (PIN) immediately. We'll mail you a password within 10 to 14 days. You'll want to change the password right away to one you personally select. Also, change your password at least once a year to keep your PIN from expiring.

Some important points to remember:

- Each person who files Form W-2 reports needs a PIN; use that same PIN for all your clients.

- As of January 6, 2003, you can register online even if you are self-employed and do not have an Employer Identification Number.

- The Business Services Online (formerly the Employer Services Online) will accept TY 2002 electronic submissions starting January 6, 2003.

The March 31 filing deadline gives your clients an extra month to identify errors and notify you. After corrections are made, you can print and give your clients or the employee a *new* original Form W-2, and re-save the file before submitting it to SSA. This reduces the number of Form W-2c corrections and saves you and your client time and money.

The *Business Services Online User Handbook* dated June 2002 contains complete step-by-step instructions to file your 2002 wage report electronically and also phone numbers for technical support. The Handbook is available at www.ssa.gov/employer, select *Forms and Publications*.

If you wish to register early or take advantage of other services prior to January 6, 2003, see the 2001 *Employer Services Online User Handbook*, available at the website above. **SSA**

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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Did You File Your 2001 W-2s on Magnetic Media? continued from page 1

password in the mail about 2 weeks after you registered for the PIN. If you can't find your password, call 800-772-6270 and we'll issue you a new one. With your PIN and password, follow the prompts for Submit a Wage File. It takes literally seconds to file electronically.

Diskette Filers Diskette filers who are now filing electronically, or plan to do so this year, should make sure their W2REPORT is uploaded as a single file submission. This is important because if you produce large W-2 files, your software may be set up to create breaks to accommodate multiple diskettes. This is because of the space limitations of diskettes. If your software does not create one file, you must combine the files into a single wage submission before you transmit it to SSA electronically. Software that offers the option of filing electronically is already set up to create the single file for you.

If you file multiple submissions on behalf of employers, just remember that each file must be complete (i.e., contain an RA or RCA through to, and including the RF or RCF record.) These records are specifically identified in the MMREF format.

If you have questions, please refer to the MMREF for Tax Year 2002 or contact our electronic filing technical assistance personnel at 888-772-2970. For TDD/TTY call 800-325-0778. **SSA**

Fast Track Mediation Dispute Resolution Available for Businesses and Individuals

The Internal Revenue Service Small Business/Self-Employed Division (SB/SE) has available Fast Track Mediation, a new service to assist taxpayers to more quickly resolve disputes that arise from examination or collection actions. Fast Track Mediation was developed by SB/SE and the IRS Appeals Division.

Fast track mediation can be offered to taxpayers with disputes not yet before a court. The program is designed to assist in resolving tax disputes arising from an examination, an offer in compromise, or a trust fund recovery penalty.

Taxpayer may choose fast track or normal appeals process

The taxpayer can choose either fast track mediation or the normal appeals process. The taxpayer does

not forgo any appeal rights during mediation and can withdraw from mediation. If a taxpayer withdraws from mediation, the dispute would follow the normal appeals process. Either the taxpayer or IRS can request mediation, but both must agree to mediate. On average, the mediation process should be started and completed within about 30-40 days. The normal appeals process can take months.


Specially trained mediator conducts mediation

A specially trained IRS mediator from the Appeals Division will conduct the mediation session at a mutually agreed upon site. The mediator will discuss the dispute with both sides and can request additional information from either side. The mediator will not decide anything regarding the dispute. The mediator cannot impose a resolution and will

not have settlement authority. The mediator will work to resolve the dispute between the taxpayer and the IRS. The taxpayer and IRS must both agree to any proposed resolution.

Additional information available

For additional information about Fast Track Mediation, see IRS Publication 3605 (*Fast Track Mediation—A Process for Prompt Resolution of Tax Issues*) and the Fast Track Mediation Web site at www.irs.gov. Click on "Businesses" on the left side. From the Businesses page, select "Small Business/Self-Employed" on the left. From the Small Business/Self-Employed page, scroll down and select "Fast-Track Mediation."

Publication 3605 may be ordered by calling 800-829-3676. 

Reminding Employers to Update Documents continued from page 1

5305A-SEP) or an IRS-approved Prototype SEP or SARSEP. This document identifies the employer, establishes conditions for participation, and describes the contributions that will be made under the plan. (Note that new SARSEPs are prohibited, but exiting ones can continue.)

The revised Model SEP or SARSEP must be adopted by the employer no later than **December 31, 2002** (for calendar year plans).

An employer using a Prototype SEP or SARSEP must adopt a revised document within **180 days** after the date the IRS issues a new favorable opinion letter to the financial institution that provided the plan. The financial institution should notify its

customers of the applicable deadlines and provide updated documents.


Simple IRAs

Like SEPs and SARSEPs, the document that the employer uses to establish a SIMPLE IRA plan can be either a Model Plan (Form 5304-SIMPLE or Form 5305-SIMPLE) or an IRS-approved Prototype SIMPLE IRA plan.

The revised Model SIMPLE IRA plan must be adopted by the employer no later than **December 31, 2002**. The deadlines for an employer using a Prototype SIMPLE IRA Plan are the same as those for Prototype SEPs and SARSEPs.

Disclosures to Employees

All participating employees must be notified of the EGTRRA changes with respect to the Model or Prototype Plans no later than **October 1, 2002**, regardless of when the plan is adopted.

Remember that you must *operate* your SEP, SARSEP or SIMPLE IRA plan in compliance with the statutory requirements applicable to these plans for 2002 even though your plan has not been updated yet. 

Quick Reference Chart for Updating Employer Documents

Model SEP/SARSEP/SIMPLE Documents

Document (Rev. March 2002)	Use for New Plans	Adopt for Existing Plans
Form 5305-SEP (Regular SEPs)	After Oct. 1, 2002	By Dec. 31, 2002
Form 5305A-SEP (SARSEPs)	Not Applicable	By Dec. 31, 2002
Form 5304-SIMPLE (Without DFI)	After Oct. 1, 2002	By Dec. 31, 2002
Form 5305-SIMPLE (With DFI)	After Oct. 1, 2002	By Dec. 31, 2002

Prototype SEP/SARSEP/SIMPLE Documents

Document Type	Adopt By
SEP/SARSEP	180 Days After Letter Issued to Financial Institution
SIMPLE IRA Plan	180 Days After Letter Issued to Financial Institution

Special Requirements for all SEPs and SIMPLEs

Document Type	Provided To	Provide By
SEP/SARSEP—Description of Changes	Participant	Oct. 1, 2002
SIMPLE IRA Plan—Description of Changes	Participant	Oct. 1, 2002

NOTE FROM THE EDITOR

Your feedback is a way I keep in touch with the type of information you like and need in this publication. My e-mail address *SSA.IRS.REPORTER@irs.gov is available for you to send comments. You may also contact me at 303-446-1664 or by fax at 303-446-1764.

Tax Incentives for Distressed Communities

IRS and HUD partner to educate taxpayers on tax incentives

The Internal Revenue Service and the Department of Housing and Urban Development formed a new partnership to promote the tax incentives available to small businesses located in economically distressed areas. The special tax incentives afforded these areas are designed to promote economic development, create affordable housing and stimulate job growth. The renewal community incentives, enacted in the Community Renewal Act of 2000, represent the latest legislative efforts to use tax incentives to attract business and investment to distressed urban and rural areas.

The goal of the IRS is to educate local development officials and tax practitioners and give them the tools to work with local businesses that want to move into or expand their


operations in a designated zone. The IRS is very excited about this partnership and sees it as a way to promote tax incentives aimed at improving economic conditions in needy communities throughout the United States.

The IRS has a keen interest in working with HUD on this initiative due to the wide range of tax implications the new legislation has, and the impact the law will have on small business owners. This new partnership with HUD is an excellent opportunity to proactively work with another government agency, jointly leverage resources and service the affected communities.

IRS participated in the HUD-sponsored Community Renewal Implementation Conference held in May 2002, where the new "Renewal Community and Round III Empowerment Zone" designations were

introduced. Tom Dobbins, Director, IRS, Taxpayer Education and Communication, Partnership Outreach, gave a presentation to the delegates outlining IRS's commitment to energize and educate small business owners on potential renewal opportunities and tax incentives available to them.

Some of the initiatives currently underway include: Working with HUD to update and carry on their Tax Incentive Guide for Businesses; creating a Community Renewal/Empowerment Zone area on the IRS website www.irs.gov; and developing educational and outreach materials for small business owners, university professors, tax practitioners and other professionals.

Direct questions about tax incentives to e-mail address communityrenewal@irs.gov. 

HELP Telephone numbers and Web addresses to use when you have questions:

- Information Reporting Program Customer Service Section toll free at 866-455-7438, or non-toll free at 304-263-8700, Monday through Friday, 8:30 A.M. to 4:30 P.M., ET. Telecommunications Devices for the Deaf (TDD) may be reached non-toll free at 304-267-3367. Taxpayers can contact this unit via e-mail at mccirp@irs.gov.
- General IRS Tax Law Questions and Account Information, 800-829-1040
- SSA Tela Service Center, 800-772-1213
- SSA Employer Reporting Service number is 800-772-6270
- IRS Employer Identification Number (EIN) Request Number, 866-816-2065. (Form SS-4 may be faxed to Brookhaven, NY at 631-447-8960, Cincinnati, Ohio at 859-669-5760, or Philadelphia, PA at 215-516-3990).
- EFTPS assistance is available at 800-645-8400 or 800-555-4477.
- IRS Forms may be ordered at 800-829-3676.
- Forms and help information is also available on the IRS Digital Daily Web Site at www.irs.gov and the Social Security Web Site at www.ssa.gov/employer
- IRS Tax Fax Service offers faxed topical tax information, 703-368-9694
- Information Reporting Program Web Page: www.irs.gov/smallbiz. Scroll down to "Quick Links" and click on "Information Returns Reporting Program" in the right column.
- IRS On-Line Filing Program for Form 941 and Form 940 Filing Austin Submission Center 512-460-8900 (not toll-free)
- Employee Plans Taxpayer Assistance Telephone Service, toll free, 877-829-5500.
- Questions about wage reporting (submitting Copy A of Form W-2 to SSA) should be referred to the Social Security Administration.
- Tax questions (even Social Security Tax questions) should be referred to the IRS.

Question and Answers

Q. I receive a Package 941 in the mail each quarter but I do not have any employees. How do I stop the mailing of the packet?

A. Send a signed note to the IRS center to which you send other IRS business returns. (Addresses below.) Indicate you do not have employees and are requesting the Form 941 requirement be removed from your business entity. Be sure to include your Employer Identification Number. (##-#####)

Q. I receive a Package 941 in the mail each quarter and my company has gone out of business. What do I do?

A. Send a note to the IRS center you have sent your business returns to (addresses below) and tell them you have gone out of business and your account is no longer required. Include your Employer Identification Number. (##-#####) Be sure that you have sent final returns to the IRS Center and have indicated you do not have to file returns in the future.

Business Return Submission Processing

Beginning in 2002, all processing of business returns was centralized into two IRS sites – Cincinnati and Ogden.

Business-entity related correspondence should be directed to the center at which the last return was filed.

The addresses are:

Internal Revenue Service,
Cincinnati, OH 45999

Internal Revenue Service,
Ogden, UT 84201

Some compliance and customer service work on business accounts is also performed in Brookhaven, Memphis and Philadelphia. Check notices and correspondence received from IRS for the correct telephone numbers and addresses for responses.

State and Local Government Employers: NEW! Federal-State Reference Guide Now Online

The new 2002 revision of Publication 963, *Federal-State Reference Guide*, is now available online at www.irs.gov/govts. This is the first revision of the publication since 1997. The publication provides the nation's 90,000 public employers with a comprehensive reference guide for Social Security and Medicare coverage and Federal Insurance Contributions Act (FICA) tax withholding issues. It covers such topics as Section 218 Agreements, the mandatory FICA provisions, determining worker status, public retirement systems and public employer responsibilities. It also provides federal and state contact information. Copies may be ordered by calling 800-829-3676. **SSA**

Online Filing of Forms 940 and 941 Questions and Answers

Were you aware that business taxpayers could file their unemployment tax returns as well as perform other payroll related reporting completely online? All you need is a computer, modem, and Web-based Internet access and you can electronically file your Form 940 and/or 941 through an Approved IRS *e-file* for Business Provider. You can find a listing of companies who offer this service by visiting the Approved IRS *e-file* for Business Providers page at www.irs.gov. You'll also want to visit the IRS *e-file* for Business Partners page that contains special offers from our IRS *e-file* for business partners.

Business filers who've been taking advantage of filing their employment tax returns online using the 940/941 On-Line Filing Program and who may have changed providers have recently asked the following questions. In an effort to reduce confusion, we're providing answers to those frequently asked questions. You can find more information on 940/941 On-Line Filing by visiting www.irs.gov — just click on the *e-file* logo.

Q. What is a Personal Identification Number (PIN)?

A. A PIN is a number assigned by the IRS to the Authorized Signatory for the

purpose signing an electronically filed Form 940 or 941 making it paperless. The same PIN is used to sign your 940 and 941 return.

Q. If I change providers, do I need a new Personal Identification Number (PIN)?

A. No. The PIN is issued to the taxpayer, and identifies the taxpayer to the IRS. A new PIN is required only if the PIN has been compromised, or if the signatory identified on the original PIN application changes. You do not need to send another Letter of Application (LOA) to the IRS to receive a new PIN. Notify your new online provider of your intent to switch to their company.

Q. What else can I file online?

A. In addition to 940/941 *e-file*, other payroll related reporting can be done online using the Internet, and an approved provider. The business return filer visits an approved provider's Web site and enters the required information online. The approved provider then sends the information such as Forms QWF and 1099-Misc. Correction to the IRS using the FIRE (Filing Information Returns Electronically) system.

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Online Filing of Forms 940 and 941 Questions and Answers

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- Questionable Form W-4 (QWF)
- LOA to apply for 941/940 e-file PIN
- 941 Quarterly Return
- 940 Annual Return
- W-2's (reported to the SSA through an online provider)
- W-2 Corrections (reported to the SSA through an online provider)
- 1099-Misc. Correction

Q. What is a Letter of Application (LOA)?

A. An LOA is a paper or electronic request that is submitted to the IRS through an Approved IRS e-file for Business Provider. The LOA is required for all prospective online business filers who wish to participate in the 940 or 941 online programs, and is submitted by an Authorized Signatory to receive a Personal Identification Number (PIN).

Q. How do I submit an LOA?

A. A prospective online business filer must submit an electronic LOA through an Approved IRS e-file for Business Provider to participate in the 940/941 On-Line filing program. The prospective online business filer must use the electronic LOA provided in the commercial tax preparation software they intend to use.

Q. Where can I find information about developing software for the 940 and 941 On-Line filing programs?

A. If you're interested in developing software for yourself, or in developing a commercial software product, please contact the IRS. You may contact us by sending an e-mail to our Employment Tax Development Team at efileemtax@irs.gov.

File Smart...File Electronic 

SSA Announces Social Security Agreement with Australia

Do you have U.S. employees working in Australia or Australian personnel working in the United States? If so, you may be able to realize substantial savings under a new Social Security agreement that goes into effect October 1, 2002.

The new agreement helps reduce business costs by eliminating double Social Security taxation. Before the agreement, U.S. companies that employed U.S. citizens in Australia were often required to pay contributions on their employees' salaries to both U.S. Social Security and to Australia's mandatory private retirement program known as the Superannuation Guarantee. Frequently, Australian companies with Australian personnel in the United States also paid contributions to both countries. The combined U.S. and Australian contribution rate could amount to almost 25 percent of salary. Under the agreement, these workers and their employers will contribute to either the U.S. or the Australian program, but not to both.

The agreement also helps fill gaps in benefit protection for people who spend part of their working lives in both countries. Under the agreement, workers and their families may qualify for partial U.S. or Australian Social Security benefits based on combined credits from both countries.

In addition to the new agreement with Australia, the U.S. has Social Security agreements with 19 other countries. If you want to know more about any of these agreements, please visit our web site at www.ssa.gov/international, or call SSA's Office of International Programs at 410-965-3548 or 410-965-0377. 

IRS e-file for Employment Taxes – NEW for January 2003



Beginning January 2003, taxpayers who use a preparer to file their Form 940 and 941 may file them electronically. Now, whether you prepare your returns yourself (on your home or business computer) or use a tax professional (payroll service, bookkeeper, CPA, or paid tax preparer), your federal employment and unemployment tax returns may be filed electronically.

Why File Electronic?

It's Fast

- Information is quickly available to IRS Customer Service sites
- Processing time is reduced to one week
- Electronic acknowledgement within 48 hours

Convenient

- Tax preparation work is automated with

return preparation software that does calculations, and highlights needed forms and schedules

- Pay tax liability and file the tax return at the same time (NEW for 2003!)

Safe

- Tax information is secure
- Only authorized users have access to the system

Paperless

- Personal Identification Number (PIN) is used as the business filer's signature

Talk to your tax professional about filing your Forms 940 and 941 electronically. For more information, visit www.irs.gov and click on the e-file logo.

File Smart...File Electronic 