

COUNCIL DECISION REQUEST

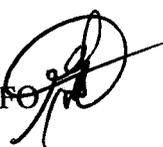
SUBJECT: Approval of IRS "Consent to Extend the Time to Assess Employment Taxes Form #SS-10

MEETING DATE: 10/19/06

CSP ITEM: Yes No KRA#

ITEM NO.:

TENTATIVE SCHEDULE:

SUBMITTED BY: Glenn W. Smith, CFO 

AMOUNT BUDGETED: N/A

SUBMITTAL TO AGENDA

EXPENDITURE REQUIRED: N/A

APPROVED BY TOWN MANAGER

CONT. FUNDING REQUIRED: N/A



EXHIBITS (If Applicable, To Be Attached): IRS Letter dated July 13, 2006, September 19, 2006 and September 28, 2006 and IRS Form SS-10.

RECOMMENDED MOTION

I move to authorize the Mayor to sign IRS Form SS-10, Consent to Extend the Time to Assess Employment Taxes.

SUMMARY OF THE BASIS FOR RECOMMENDED MOTION:

The IRS is conducting an employment tax audit of the Town's calendar year 2003-2004-2005 Forms 941 and employment tax liabilities. December 31, 2006, the Statute of Limitation runs out on calendar year 2003. The bulk of the examination has been completed, but both the IRS and Town Staff need the extension period to complete the process.

The IRS is requesting the Town's consent to extend the statute of limitation period for calendar year 2003 until April 15, 2008. Under the IRS regulations the Town has three "rights" concerning consents (see IRS letter dated September 19, 2006). I reviewed the three "rights" with Sam and Ms. Lynn Shelton, IRS Regional Manager in Colorado. She assured me that the extension would be limited to those items currently under review as per Mr. Savage's letter of September 28, 2006. Staff is recommending that the Town consent to the April 15, 2008 extension (Right #3 for items (1) (b) & (c)).

PROS: The extension will allow the Town the opportunity to review their findings and if we disagree, file a response to their findings in a timely manner. Their findings will also be based on complete and accurate information.

CONS:

If we do not consent to the extension, our rights to respond will also terminate December 31, 2006 and the IRS will have to provide a finding based on incomplete or estimated data by December 31, 2006. The timing for their response could be to close to the December 31, 2006 and not leave us time to respond accordingly.

PUBLIC INPUT (if any): N/A

BOARD/COMMITTEE/COMMISSION ACTIONS/RECOMMENDATIONS (if any) (give dates and attach minutes): N/A

OCT 19 2006 J.J.*

**Internal Revenue Service
Tax Exempt and Government Entities Division**

Department of the Treasury

Taxpayer Identification Number:
86-0287228

Consent Form Number:
SS-10

Kind of Tax:
Employment

Tax Year(s) Ended:
December 31, 2003

Person to Contact/ID Number:
Kim Savage/86-16411

Contact Telephone Number:
928-214-3309

Hours:
8:00am-5:00pm

Fax Number:
928-226-1144

* Date: September 19, 2006

Town of Payson
Attn.: Glenn W. Smith
Chief Fiscal Officer
303 N. Beeline Highway
Payson, AZ. 85541-4485

Dear Mr. Smith:

The statute of limitation period allowed by law for assessing additional tax on your federal tax return (s) will expire soon. We are requesting your consent to extend the statute of limitation period for the federal tax period(s) indicated above.

We are enclosing Form(s) SS-10, Consent to Extend the Time to Assess Employment Taxes (2 copies) used to extend the statute of limitation period. Please sign and return all forms in the enclosed envelope within 10 days from the date of this letter. It is important that a principal officer of the organization; authorized power of attorney; or trustee sign the consent form(s). Upon acceptance, we will return a signed copy for your records.

Before signing this form, it is important that you understand your rights concerning consents. Some of these rights are:

- * {
- 1) You have the right to refuse to extend the statute of limitation period.
 - 2) You have the right to request that the extension be limited to particular issues held open for further examination or appeal.
 - 3) You have the right to request that the limitation period be limited to a specific date.

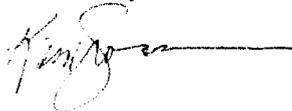
Please refer to the enclosed Publication 1035, *Extending the Tax Assessment Period*, for a more detailed explanation of your rights and options. It may be considered that you have cooperated with the Internal Revenue Service, for purposes of determining who has the burden of proof in any court proceeding, even if you do not sign the consent form.

As required by law, we send separate consent forms to each individual filing a joint return and each individual must sign a consent form. You may each sign your individual copies of the consent or you may both sign one set together.

If you have questions concerning the enclosed form or your rights when extending the statute of limitations, please call the contact person at the telephone number shown in the heading of this letter.

Thank you for your cooperation.

Sincerely,

A handwritten signature in black ink, appearing to be "Kimberly", followed by a horizontal line extending to the right.

Enclosures:
Consent Forms
Envelope
Publication 1035

Town of Payson _____, taxpayer(s)
(Name(s))

of 303 North Beeline Highway, Payson, Arizona 85541-4485 and the
(Number, Street, City or Town, State, ZIP Code)

Commissioner of Internal Revenue consent and agree to the following:

- (1) The amount of taxes due from the taxpayer under:
- (a) The Federal Unemployment Tax Act, for calendar years _____
 - (b) The Federal Insurance Contributions Act, for tax periods
 from January 1, 2003 through December 31, 2003
 - (c) The income tax withholding provisions of existing or prior revenue laws, for tax periods
 from January 1, 2003 through December 31, 2003
 - (d) The Railroad Retirement Tax Act, for tax periods
 from _____ through _____

plus any applicable additions to the tax, may be assessed at any time on or before April 15, 2008
(Expiration date)

(2) The collection provisions and limitations now in effect will also apply to any tax assessed within the extended period.

(3) The taxpayer(s) may file a claim for credit or refund and the Service may credit or refund the tax within 6 months after this agreement ends.

Your Rights as a Taxpayer

You have the right to refuse to extend the period of limitations or limit this extension to a mutually agreed-upon issue(s) or mutually agreed-upon period of time. **Publication 1035, Extending the Tax Assessment Period**, provides a more detailed explanation of your rights and the consequences of the choices you may make. If you have not already received a Publication 1035, the publication can be obtained, free of charge, from the IRS official who requested that you sign this consent or from the IRS' web site at www.irs.gov or by calling toll free at 1-800-829-3676. Signing this consent will not deprive you of any appeal rights to which you would otherwise be entitled.

YOUR SIGNATURE HERE → _____ (Date signed)

I am aware that I have the right to refuse to sign this consent or to limit the extension to mutually agreed-upon issues and/or period of time as set forth in I.R.C. § 6501(c)(4)(B).

TAXPAYER'S REPRESENTATIVE

SIGN HERE → _____ (Date signed)

I am aware that I have the right to refuse to sign this consent or to limit the extension to mutually agreed-upon issues and/or period of time as set forth in I.R.C. § 6501(c)(4)(B). In addition, the taxpayer(s) has been made aware of these rights.

CORPORATE NAME → Town of Payson

CORPORATE OFFICER(S) SIGN HERE → _____ (Title) (Date signed)

→ _____ (Title) (Date signed)

I (we) am aware that I (we) have the right to refuse to sign this consent or to limit the extension to mutually agreed-upon issues and/or period of time as set forth in I.R.C. § 6501(c)(4)(B).

INTERNAL REVENUE SERVICE SIGNATURE AND TITLE

Preston R. Butcher Director, Government Entities
(Division Executive Name - See instructions.) (Division Executive Title - see instructions)

BY _____ (Authorized Official Signature and Title - See instructions.) (Date signed)



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

September 28, 2006

Town of Payson
Glenn W. Smith, CFO
303 N. Beeline Highway
Payson, AZ. 85541

Subject: Consent to Extend the Time to Assess Employment Taxes for the Town
Payson, 86-0287228, Forms 941, Calendar Year 2003

Dear Mr. Smith:

As you are aware, we have placed the Town's calendar year 2003 Forms 941 employment tax liabilities under Employment Tax examination. We are limiting the examination of the 2003 calendar year to the issue of Medicare tax liability on compensation paid to Town employees excluded from Medicare taxation in full or part for calendar 2003.

The amount of any 2003 Forms 941 deficiency assessments is to be limited to that resulting from any adjustment to Medicare (Hospital Insurance) taxes for compensation of other payments to all Town employees hired or rehired after March 31, 1986, any penalties and additions to tax attributable thereto, and any consequential changes to other items based on such adjustments.

We will look for your response by return mail or fax. Please feel free to contact me at 928-214-3309 if there are questions. You will be mailed the original of this letter.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Kim Savage".

Kim Savage
FSLG Specialist
Employee No. 86-16411



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

July 13, 2006

Town of Payson
Attn: Glenn W. Smith CFO
303 N. Beeline Highway
Payson, AZ. 85541-4306

Taxpayer Name:
Town of Payson
Taxpayer Identification Number:
86-0287228
Tax Forms:
941, 1099
Tax Period(s):
2005, 2004, 2003
Person to Contact:
Kim Savage
Employee Identification Number:
86-16411
Telephone Number:
928-214-3309
Fax Number:
928-226-1144

Dear Mr. Smith:

Thank you for the information you provided on July 10-12, 2006 about your Federal tax returns for the above year. We believe the additional information and documents described on the accompanying Information Document Request Numbers 5-2, 6-2, and 7-3 will enable us to substantially complete the examination of your employment tax returns for calendar years 2003, 2004, 2005..

After consultant with management, we have determined to extend the 2005 employment tax examination to calendar years 2003 and 2004. The issues for these years will be initially limited to mandatory Medicare tax coverage for your firefighter positions/employees not in continuous employment with the Town prior to April 1, 1986. The area manager is **Lynn Shelton** and she can be reached at 1-303-446-1241.

Please contact me on or before **August 21, 2006** to arrange presentation of the information and items requested. Feel free to contact me after your receipt and evaluation of this request, if you have questions or concerns.

Your cooperation is appreciated.

Sincerely,



Kim Savage
FSLG Specialist

Enclosures:
Information Document Requests 5-2, 6-2, and 7-3