



**West Valley Chapter**

# **The Scoop**

## **Tax Update**

**July 2004**

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***IRS partnering  
with states to  
focus on tax  
compliance***

**Final Regulations  
on COBRA Notices**

### **IRS –State Partnership Focuses on Tax Compliance, Improved Service**

The Partnership Between the Internal Revenue Service and the states to target Abusive Tax Avoidance Transactions (ATAT) is getting promising results. The partnership has uncovered tens of millions of dollars in previously unidentified abusive transactions and will move forward to improve both compliance and service.

The IRS and states are exploring new ways to extend cooperation with state tax administrators to reduce duplication, improve taxpayer service, and intensify the fight against non compliance with the state and federal tax systems.

Information sharing with the IRS and between the states is giving the states new resources to crack down on tax avoidance. Employers should keep this in mind and take advantage of tax amnesty programs if they are qualified to do so. The following states have enacted amnesty programs for 2004.

- Mississippi – September 1 thru December 31
- West Virginia – September 1 thru November 1.
- Arkansas - July 1 thru December 31
- Nebraska – August 1 thru October 31

### **Department of Labor Issues Final Regulations on COBRA Notices**

The Department of Labor has issued final regulations establishing timing and content standards for the notices required in connection with health care continuation coverage (including model forms) and setting forth general rules for administering the COBRA notice process.

Each group health plan covered under COBRA is required to provide a written notice "at the time of commencement of coverage" to each covered employee and spouse(if any) of the employee.

The regulations establish a 90 day period for furnishing the general notice, beginning with the date on which the covered employee or spouse first becomes covered under the plan. If the plan administrator must provide an

election notice to the employee or to his or her spouse or dependent during the first 90 days of coverage, however, then the plan administrator may satisfy its general notice obligation by furnishing the election notice.

The general notice can be provided electronically if delivery of the notice meets the standards for the delivery of notice to employees under the Employee Retirement Income Security Act.

The regulations apply to notice obligations arising "on or after the first day of the first plan year beginning on or after the date that is six months after May 26, 2004." This formula provides a period of at least six months before the new rules will be applicable to notice obligation arising under group health plans.

## News from Arizona

A new feature of the Department of Revenue's e-file Web site, [www.aztaxes.gov](http://www.aztaxes.gov), is a payment history page. It displays payments made through the Web site by tax type (e.g., withholding tax) and includes confirmation numbers and dates that the payments were processed. To access payment history, use the history tab from the options menu (after login).

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## News from other states



### Connecticut

Effective 7-1-04, a contributing employer that fails to file a timely unemployment compensation quarterly return will be liable for a \$25 late filing fee, which will be deposited in the Employment Security Administration Fund.

### Delaware

Electronic pay stubs – A pay statement may be furnished electronically as long as: (1) the statement provides the same information currently required by the Wage Payment and Collection Act; (2) the statement is in a form capable of being retained by the employee; and (3) employees have the option of receiving the statement in written form.

### Georgia

Effective from 7-1-04 thru 7-1-14, it is illegal for any person to knowingly coerce, induce, or threaten an individual to falsely declare himself or herself to be an independent contractor or to falsely claim that an individual employed by such person is an independent contractor in order to avoid or evade the withholding or payment of income taxes. Upon conviction fines will equal the amount of tax owed for the first offense. The fine increases to two times the tax owed for the second offense, and four times the amount owed for the third offense and for subsequent offenses.

### Tennessee

Effective 7-1-02 an employer that fails to comply with child support withholding requirements is liable for any accumulated amount that would have been withheld and may be subject to a civil penalty of \$100 per employee for the first offense with fines increasing to \$500 for subsequent offenses.

*Stay up to date  
On the latest  
Tax changes for  
Your state.*



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