



# **The Scoop**

## **Tax Update**

**June 2005**

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**Mismatch  
name/SSN letters**

### **IRS to mail name/SSN mismatch letters to 300 selected employers**

The IRS is mailing out mismatch letters to 300 selected employers as part of a pilot test on the best approach to take on notifying employers and/or assessing penalties for Forms W-2 with incorrect employee names or social security numbers, and how an employer can be proactive about ensuring that a name and number are a match.

To identify those 300, The IRS has eliminated any employer that filed 100 or fewer W-2s. Then 150 employers with the highest percentage of mismatched W-2s, and 150 employers with the highest volume of mismatches were identified. Beginning the week of June 15, the letters are to be mailed. The letters will explain what the potential penalties are and how the employers should respond. The employers will have the normal 30 days to do so. The IRS will assess penalties against any employer that does not respond. Based on what is learned, a decision will be made on how to proceed from there.

The employer can be proactive by calling the SSA's special employer number: 800-772-6270. Up to five SSNs at a time can be verified in this manner. SSA is also currently testing an Internet verification system, and is hoping to roll that system out this summer. In addition, the employer can send diskettes and tapes to SSA headquarters in Baltimore, or paper lists can be sent to Wilkes-Barre.

If an employer gets a notice from the IRS about a Form W-2 with an incorrect employee name or social security number that does not mean an automatic penalty. When an employee was hired, the information provided on the W-4 is used to produce the W-2. That in itself is the safe harbor with respect to penalty relief. If an employer gets a second notice, he should go back to the employee and resolicit the information and use that information on the next year's W-2. If the employee is terminated, the employer should attempt to contact that employee at the last known address to resolicit the information.

# News from other states



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## Kentucky

Effective 1-1-06, employers with 20 or more employees must notify in writing the Cabinet for Families and Children or a child support agency of any lump sum payments of \$150 or more to be made to an employee under a child support withholding order. The notice must be made no later than 45 days before the payment is to be made or, if the employee's right to the payment is determined to be less than 45 days before it is to be made, the date on which that determination is made. After notification, employers must hold each payment for 30 days after the date it would otherwise be paid to the employee and, by court order, pay all or a specified amount of the payment to the Division of Child Support. Employers may deduct a \$1 administrative fee for each payment

## North Dakota

Effective 8-1-05, employers may pay wages by a stored-value card at the election of the employee. The card must be issued by a federally insured bank or credit union and the value of the funds underlying the card must be a deposit that is insured by the Federal Deposit Insurance Corporation or National Credit Union Administration. Before paying wages by stored-value card to an employee, the employer must have deposited with the issuer funds in an amount at least equal to the wages due from the employer to each employee whose wages are being paid by a stored-value card and any account fees that are charged to the employer by the user.

## Maryland

Effective 6-1-05, an employer may pay an employee's wages via a debit card or card account if: (1) authorized by the employee; and (2) any fees applicable to the debit card or card account are disclosed to the employee in writing in a least 12 point font.

## Indiana

A tax amnesty program will be in effect from 9-15-05 through 11-15-05. It applies to all taxes and fees that the Department of Revenue collects, and covers tax periods ending before 7-1-04 for which an individual or business had an outstanding obligation, has not filed a return, or has underreported a tax liability. Taxpayers that are eligible for amnesty will not have to pay penalties, interest, collection fees, or face criminal or civil prosecution. However, taxpayers that fail to participate in the amnesty when they are eligible to do so will be subject to double the originally assessed penalty. For more information on the program, visit [www.in.gov/dor/amnesty](http://www.in.gov/dor/amnesty)

