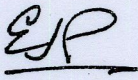




TO: Chairman Dianne Lamberth, ALC Commission

FROM: Ernie Passailaigue, Executive Director 

DATE: August 10, 2011

SUBJECT: Internal Revenue Service Issue

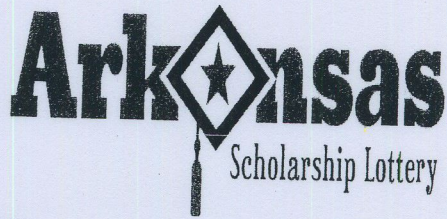
In preparation for his departure, Philip Miley, CFO disclosed a matter to senior management today, which we are in turn relating to the Commission for your information. The CFO considered this issue a routine accounting function and did not inform management of the issue until August 10, 2011.

The IRS requires that an entity deposit withheld taxes on either a monthly or semi-weekly basis, unless the withheld taxes are equal to or in excess of \$100,000, in which case the withheld taxes must be deposited the next business day. Initially, ALC was classified as a monthly depositor, the same as most new businesses. The CFO was making weekly tax deposits when ALC began operations in 2009.

Upon the launch of the Powerball game in November 2009, ALC had a number of payers/players win prizes in excess of \$500,000, which triggered the \$100,000 withholding threshold rule, mandating tax deposits within one (1) day. From that point forward, ALC was classified as a semi-weekly depositor except for the days in which the withholding equal or exceeded \$100,000 at which time the deposit is due the next business day. The CFO was unaware at the time of the status change from monthly to semi-weekly and continued making weekly tax deposits instead of semi-weekly deposits.

On April 26, 2010, the CFO received notification from the IRS informing ALC of the late payments made during calendar year 2009, including a penalty of \$4,297.10 for the 2009 year. The CFO contacted the IRS on May 7, 2010 and was successful in receiving a waiver of penalties and fees incurred for 2009. ALC started making daily deposits beginning May 1, 2010, with a commitment to the IRS agent to continue to make daily tax deposits. This settled the 2009 tax issue.

On April 11, 2011, the CFO received notification from IRS informing him that late payments were made during the calendar year 2010. Upon review of the schedule remitted with the IRS notice, the Finance staff noted several discrepancies between its records and those provided by the IRS as to the dates and the amounts of the deposits. (The Finance staff prepared a detailed schedule for the entire 2010 calendar year that reflects the date tax deposits were actually made and included notations whether a deposit was made timely or late.)



**MEMORANDUM**

TO: ALC Executive Management  
FROM: Philip Miley, CFO  
SUBJECT: IRS Form 945 Tax Deposits  
DATE: August 11, 2011

When ALC began operations in September 2009, ALC was classified as a monthly tax depositor for taxes withheld from gaming winners. Most new businesses start out as monthly tax depositors under IRS rules. Although IRS only required monthly deposits, I wanted to make weekly deposits to coincide with our weekly gaming reports. Hence, ALC was making deposits more often and earlier than the IRS rules require.

There is a special rule that whenever the withheld taxes equal or exceed \$100,000 that the tax deposit must be made the next business day. I was aware of this rule but Finance was unable to determine if ALC claim centers had issued a large winning check until the next business day when our Intralot Reports were made available to us. This, along with time required to send payment thru the banking system, automatically put ALC at least one day late in making payments when the liability equaled or exceeded \$100,000.

After the Powerball game started in November 2009, ALC had some winners of \$500,000 or more which triggered the \$100,000 rule as ALC is required to withhold 25% for federal income taxes. There was a related rule that I was not aware of requiring ALC to become a semi-weekly (twice a week) depositor from this point forward instead of a monthly depositor. ALC continued making weekly deposits thinking that we were still a monthly depositor. I was under the mistaken impression that we were still making our deposits more often and earlier than the law required.

On April 26, **2010**, ALC received a notice from IRS informing us of the late payments made during the calendar year 2009. The IRS had also assessed a penalty of \$4,297.10 for the 2009 year. The CFO contacted the IRS on May 7, 2010 and explained the situation to IRS Agent Melissa Agent #2985998 who agreed to waive the penalty since ALC started making DAILY deposits beginning May 1, 2010 and ALC made the commitment to the Agent to continue making daily tax deposits. The 2009 issue was hence resolved.

On April 11, **2011**, ALC received a notice from IRS informing us that late payments were made during the calendar year 2010. Upon review of the schedule remitted with the IRS notice, the ALC finance staff

Arkansas Lottery Commission  
Federal Withholding Schedule  
For Year 2010

Sat, Sun, Mon, Tues  
Wed, Thur, Fri

Withholding Amount	Withholding Date	Semiweekly Due Date	> 100,000 Due Date	-----Payment-----				Days Late/(Early)
				Processing Date	Settlement Date	Cleared Bank Date	Deposit Amount	
144,250.00	1/4	1/5	1/5					4
2,500.00	1/5	1/8						4
1,500.00	1/7	1/13						(1)
1,800.00	1/8	1/13		1/11	1/13	1/12	155,250.00	(1)
19,444.00	1/11	1/15						5
17,500.00	1/14	1/20		1/19	1/21	1/20	31,944.00	-
30,000.00	1/19	1/22						(1)
3,500.00	1/25	1/29	1/25	1/25	1/27	1/26	300,225.00	(1)
25,312.00	1/26	1/29						1
2,184.00	1/26	1/29		2/5	2/8	2/5	2,184.00	5
				2/1	2/3	2/2	34,312.00	7
3,038,405.00	2/1	2/2	2/2	2/1	2/3	2/2	34,312.00	(1)
30,600.00	2/1	2/5			2/2	2/4	2/3	3,038,405.00
								7
				2/8	2/10	2/9	102,953.00	(1)
				2/16	2/18	2/17	17,222.00	(1)
17,353.00	2/16	2/19						-
				2/22	2/24	2/23	38,075.00	(4)
31,666.00	2/22	2/26						(1)
52,780.00	2/23	2/26						(1)
				3/1	3/3	3/2	89,446.00	4
								4
				3/8	3/9	3/9	29,500.00	(1)
4,722.00	3/8	3/12						(1)
5,000.00	3/9	3/12						(1)
				3/15	3/17	3/16	17,223.00	4
								4
5,500.00	3/15	3/19						(1)
5,500.00	3/16	3/19						(1)
				3/23	3/25	3/24	59,706.00	5
								5
5,000.00	3/22	3/26						-

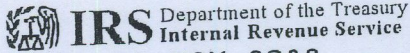
Withholding Amount	Withholding Date	Semiweekly Due Date	> 100,000 Due Date	-----Payment-----				Days Late/(Early)
				Processing Date	Settlement Date	Cleared Bank Date	Deposit Amount	
11,250.00	3/25	3/31		3/29	3/31	3/30	16,250.00	(1)
46,765.00	3/29	4/2						4
25,000.00	3/30	4/2						4
16,250.00	4/1	4/7		4/5	4/6	4/6	88,015.00	(1)
26,103.00	4/5	4/9						4
20,000.00	4/6	4/9						4
30,000.00	4/7	4/14						(1)
62,500.00	4/8	4/14						(1)
17,500.00	4/9	4/14		4/12	4/14	4/13	156,103.00	(1)
7,500.00	4/12	4/16						4
10,000.00	4/14	4/21						(1)
22,500.00	4/15	4/21						(1)
12,500.00	4/16	4/21		4/19	4/21	4/20	32,500.00	(1)
130,003.00	4/19	4/20	4/20					7
7,500.00	4/22	4/28		4/26	4/28	4/27	137,503.00	(1)
10,000.00	4/26	4/30						3
12,500.00	4/28	5/3		4/30	5/3	5/3	22,500.00	(2)
71,250.00	5/3	5/7		5/4	5/5	5/5	71,250.00	(2)
2,500.00	5/4	5/7		5/5	5/6	5/6	2,500.00	(1)
5,000.00	5/5	5/12		5/6	5/7	5/7	5,000.00	(5)
4,444.00	5/10	5/14		5/10	5/11	5/11	4,444.00	(1)
27,500.00	5/10	5/14		5/11	5/12	5/12	27,500.00	(2)
25,000.00	5/17	5/19		5/14	5/17	5/17	25,000.00	(2)
16,944.00	5/17	5/21		5/18	5/19	5/19	16,944.00	(2)
2,500.00	5/27	6/2		5/27	5/28	5/28	2,500.00	(5)
	5/28	6/1		5/28	6/1	6/1	2,500.00	(1)
	6/1	6/2		6/1	6/2	6/2	44,444.00	-
127,502.00	6/1	6/2	6/2	6/2	6/3	6/3	127,502.00	1
5,000.00	6/3	6/9		6/3	6/4	6/4	5,000.00	(5)
125,000.00	6/3	6/9	6/4	6/4	6/4	6/4	125,000.00	-
7,500.00	6/7	6/11		6/8	6/9	6/9	7,500.00	(2)
7,353.00	6/8	6/11		6/9	6/10	6/10	7,353.00	(1)
22,722.00	6/14	6/16		6/14	6/15	6/15	22,722.00	(1)
27,500.00	6/14	6/18		6/15	6/16	6/16	27,500.00	(2)
30,000.00	6/15	6/18		6/16	6/17	6/17	30,000.00	(1)
18,750.00	6/17	6/21		6/17	6/18	6/18	18,750.00	(5)
5,000.00	6/18	6/21		6/18	6/21	6/21	5,000.00	(2)
162,500.00	6/21	6/21	6/21	6/21	6/21	6/21	162,500.00	-
19,722.00	6/21	6/25		6/22	6/23	6/23	19,722.00	(2)
2,500.00	6/23	6/30		6/24	6/25	6/25	2,500.00	(5)

Withholding Amount	Withholding Date	Semiweekly Due Date	> 100,000 Due Date	-----Payment-----				Days Late/(Early)
				Processing Date	Settlement Date	Cleared Bank Date	Deposit Amount	
50,000.00	6/28	7/2		6/29	6/30	6/30	50,000.00	(2)
<del>80,000.00</del>	<del>6/30</del>	<del>7/7</del>		7/1	7/2	7/2	80,000.00	(5)
<del>50,000.00</del>	<del>7/2</del>	<del>7/7</del>		7/6	7/7	7/7	50,000.00	
25,000.00	7/6	7/9		7/7	7/8	7/8	25,000.00	(1)
<del>50,000.00</del>	<del>7/8</del>	<del>7/14</del>		7/9	7/12	7/12	50,000.00	(2)
10,000.00	7/12	7/16		7/13	7/14	7/14	10,000.00	(2)
<del>9,722.00</del>	<del>7/14</del>	<del>7/21</del>		7/15	7/16	7/16	9,722.00	(5)
<del>5,000.00</del>	<del>7/18</del>	<del>7/23</del>		7/16	7/19	7/19	5,000.00	(2)
6,250.00	7/19	7/23		7/20	7/21	7/21	6,250.00	(2)
2,500.00	7/20	7/23		7/21	7/22	7/22	2,500.00	(1)
<del>31,450.00</del>	<del>7/22</del>	<del>7/28</del>		7/22	7/23	7/23	31,450.00	(5)
<del>5,001.00</del>	<del>7/26</del>	<del>7/28</del>		7/23	7/26	7/26	5,001.00	(2)
<del>32,500.00</del>	<del>7/28</del>	<del>8/3</del>		7/26	7/27	7/27	32,500.00	(1)
15,950.00	8/2	8/6		8/3	8/4	8/4	15,950.00	(2)
1,300.00	8/3	8/6		8/4	8/5	8/5	1,300.00	(1)
<del>25,000.00</del>	<del>8/6</del>	<del>8/9</del>		8/5	8/6	8/6	25,000.00	(5)
<del>10,000.00</del>	<del>8/9</del>	<del>8/13</del>		8/6	8/9	8/9	10,000.00	(2)
<del>5,000.00</del>	<del>8/10</del>	<del>8/13</del>		8/9	8/10	8/10	5,000.00	(1)
30,000.00	8/9	8/13		8/10	8/11	8/11	30,000.00	(2)
7,750.00	8/10	8/13		8/11	8/12	8/12	7,750.00	(1)
<del>10,000.00</del>	<del>8/12</del>	<del>8/13</del>		8/12	8/13	8/13	10,000.00	(5)
<del>5,000.00</del>	<del>8/12</del>	<del>8/13</del>		8/12	8/13	8/13	5,000.00	(5)
<del>5,250.00</del>	<del>8/16</del>	<del>8/17</del>		8/16	8/17	8/17	5,250.00	(1)
30,750.00	8/16	8/20		8/17	8/18	8/18	30,750.00	(2)
5,000.00	8/17	8/20		8/18	8/19	8/19	5,000.00	(1)
<del>17,500.00</del>	<del>8/19</del>	<del>8/20</del>		8/19	8/20	8/20	17,500.00	(5)
<del>7,353.00</del>	<del>8/23</del>	<del>8/24</del>		8/23	8/24	8/24	7,353.00	(1)
13,750.00	8/23	8/27		8/24	8/25	8/25	13,750.00	
<del>9,996.00</del>	<del>8/26</del>	<del>8/27</del>		8/26	8/27	8/27	9,996.00	(5)
<del>5,000.00</del>	<del>8/27</del>	<del>8/30</del>		8/27	8/30	8/30	5,000.00	(2)
<del>5,000.00</del>	<del>8/30</del>	<del>8/31</del>		8/30	8/31	8/31	5,000.00	(1)
35,000.00	8/30	9/3		8/31	9/1	9/1	35,000.00	(2)
30,000.00	8/31	9/3		9/1	9/2	9/2	30,000.00	(1)
<del>50,000.00</del>	<del>9/2</del>	<del>9/3</del>		9/2	9/3	9/3	50,000.00	(5)
<del>6,350.00</del>	<del>9/7</del>	<del>9/8</del>		9/7	9/8	9/8	6,350.00	
51,944.00	9/7	9/10		9/8	9/9	9/9	51,944.00	(1)
<del>12,500.00</del>	<del>9/9</del>	<del>9/10</del>		9/9	9/10	9/10	12,500.00	(5)
<del>5,000.00</del>	<del>9/10</del>	<del>9/13</del>		9/10	9/13	9/13	5,000.00	(2)
12,500.00	9/13	9/17		9/14	9/15	9/15	12,500.00	(2)
17,500.00	9/14	9/17		9/15	9/16	9/16	17,500.00	(1)
<del>10,000.00</del>	<del>9/16</del>	<del>9/17</del>		9/16	9/17	9/17	10,000.00	(5)
<del>5,000.00</del>	<del>9/17</del>	<del>9/20</del>		9/17	9/20	9/20	5,000.00	(2)
17,500.00	9/20	9/24		9/21	9/22	9/22	17,500.00	(2)

Withholding Amount	Withholding Date	Semiweekly Due Date	> 100,000 Due Date	-----Payment-----				Days Late/(Early)
				Processing Date	Settlement Date	Cleared Bank Date	Deposit Amount	
30,000.00	9/24	9/29		9/27	9/28	9/28	30,000.00	(1)
12,500.00	9/27	10/1		9/28	9/29	9/29	12,500.00	(2)
5,000.00	9/28	10/1		9/29	9/30	9/30	5,000.00	(1)
7,353.00	9/29	10/5		9/30	10/1	10/1	7,353.00	(5)
5,000.00	10/1	10/6		10/4	10/5	10/5	5,000.00	(1)
5,000.00	10/5	10/8		10/6	10/7	10/7	5,000.00	(1)
10,000.00	10/6	10/13		10/7	10/8	10/8	10,000.00	(5)
17,500.00	10/7	10/13		10/8	10/12	10/12	17,500.00	(1)
36,900.00	10/8	10/13		10/8	10/12	10/12	36,900.00	(1)
10,000.00	10/11	10/15		10/12	10/13	10/13	10,000.00	(2)
80,000.00	10/12	10/15		10/13	10/14	10/14	80,000.00	(1)
5,000.00	10/13	10/20		10/14	10/15	10/15	5,000.00	(5)
11,853.00	10/18	10/22		10/19	10/20	10/20	11,853.00	(2)
65,006.00	10/19	10/22		10/20	10/21	10/21	65,006.00	(1)
4,500.00	10/20	10/27		10/21	10/22	10/22	4,500.00	(5)
30,000.00	10/23	10/27		10/25	10/26	10/26	30,000.00	(1)
22,502.00	10/25	10/29		10/26	10/27	10/27	22,502.00	(2)
145,003.00	10/28	10/28	10/28	10/28	10/28	10/28	145,003.00	-
15,000.00	10/29	11/1		10/29	11/1	11/1	15,000.00	(2)
5,556.00	10/29	11/2		11/1	11/2	11/2	5,556.00	(3)
5,000.00	11/1	11/5		11/3	11/4	11/4	5,000.00	(1)
				11/4	11/5	11/5	5,000.00	(5)
				11/5	11/8	11/8	10,000.00	(2)
				11/8	11/9	11/9	20,000.00	(1)
17,500.00	11/8	11/12		11/9	11/10	11/10	17,500.00	(2)
4,444.00	11/9	11/12		11/10	11/12	11/12	4,444.00	-
10,000.00	11/10	11/15		11/12	11/15	11/15	10,000.00	(2)
23,056.00	11/15	11/19		11/16	11/17	11/17	23,056.00	(2)
5,000.00	11/16	11/19		11/17	11/18	11/18	5,000.00	(1)
2,500.00	11/22	11/23		11/22	11/23	11/23	2,500.00	(1)
33,750.00	11/22	11/26		11/23	11/24	11/24	33,750.00	(2)
31,925.00	11/24	11/30		11/29	11/30	11/30	31,925.00	(2)
22,500.00	11/29	12/3		11/30	12/1	12/1	22,500.00	(2)
5,000.00	11/30	12/3		12/1	12/2	12/2	5,000.00	(1)
25,000.00	11/29	12/6		12/2	12/3	12/3	25,000.00	(5)
7,500.00	11/29	12/6		12/3	12/6	12/6	7,500.00	(2)
160,000.00	12/6	12/10	12/7	12/8	12/8	12/8	160,000.00	1
31,944.00	12/7	12/10		12/8	12/9	12/9	31,944.00	(1)
11,072.00	12/10	12/13		12/10	12/13	12/13	11,072.00	(2)
35,000.00	12/10	12/14		12/13	12/14	12/14	35,000.00	(1)
56,944.00	12/13	12/17		12/14	12/15	12/15	56,944.00	(2)

Withholding Amount	Withholding Date	Semiweekly Due Date	> 100,000 Due Date
5,000.00	12/17	12/21	
70,000.00	12/20	12/24	
10,000.00	12/21	12/24	
10,000.00	12/22	12/25	
62,503.00	12/27	1/3	
10,972.00	12/28	1/3	
75,000.00	12/30		12/31
<u>7,508,053.00</u>			

-----Payment-----				Days
Processing Date	Settlement Date	Cleared Bank Date	Deposit Amount	Late/(Early)
12/16	12/17	12/17	5,000.00	(5)
12/17	12/20	12/20	55,000.00	(2)
12/20	12/21	12/21	5,000.00	(1)
12/21	12/22	12/22	70,000.00	(2)
12/22	12/23	12/23	10,000.00	(1)
12/27	12/28	12/28	10,007.00	(1)
12/28	12/29	12/29	62,503.00	(5)
12/29	12/30	12/30	10,972.00	(4)
12/30	12/31	12/31	5,000.00	(5)
12/30	12/31	12/31	275,000.00	-
			<u>7,508,053.00</u>	



PO BOX 8208  
PHILADELPHIA PA 19101-8208

In reply refer to: 0566309193  
July 19, 2011 LTR 852C i0  
[REDACTED] 201012 16

00003133  
BODC: TE

ARKANSAS LOTTERY COMMISSION  
ARKANSAS SCHOLARSHIP LOTTERY  
% PHILIP MILEY  
PO BOX 323  
LITTLE ROCK AR 72203-0323

Taxpayer Identification Number: [REDACTED]  
Tax Period: Dec. 31, 2010  
Form: 945  
Kind of Penalty(s): Failure to Deposit

Dear Taxpayer:

#### WHY WE ARE CONTACTING YOU

Thank you for your inquiry dated Apr. 27, 2011 asking us to remove your penalty(s).

We have thoroughly reviewed your case, but we find that the information provided does not establish reasonable cause. Therefore, we must deny the request to remove your penalty(s).

#### WHY WE COULD NOT REMOVE YOUR PENALTY CHARGES

You explained that you have a good history of making timely and accurate deposits. However, a review of your account history shows that we have charged similar penalties in the past.

You asked us to remove the interest as well as the penalty(s) on your account. However, the law does not permit us to remove interest for reasonable cause. We charge interest on any unpaid tax, regardless of whether you had reasonable cause.

#### YOUR CURRENT BALANCE

Your total balance due currently is \$99,673.29. This amount includes penalty and interest figured to Aug. 02, 2011. We will continue to charge interest until the amount you owe is paid in full.

We've provided a general explanation of the possible penalties and/or interest included in the current balance due on your account. If you would like a specific explanation of how the amounts were computed on your account, please contact us at the toll-free number shown in this letter and we will send you a detailed computation.

\*\* Paying Late -- IRC Section 6651(d) \*\*



ARKANSAS LOTTERY COMMISSION  
ARKANSAS SCHOLARSHIP LOTTERY  
% PHILIP MILEY  
PO BOX 323  
LITTLE ROCK AR 72203-0323

Initially, the penalty is 1/2% of the unpaid tax for each month or part of a month the tax isn't paid.

If we issue a Notice of Intent to Levy and the balance due isn't paid within 10 days from the date of the notice, the penalty increases to 1% a month.

The penalty can't be more than 25% of the tax paid late.

**\*\* Filing and Paying Late -- IRC Section 6651 \*\***

We charge a 5% combined penalty of 4 1/2% for filing late and 1/2% for paying late when a return is filed late and the tax is not paid by the due date of the return. The combined penalty is 5% of the unpaid tax for each month or part of a month the return is late, but not more than 5 months, which would total 25% (22 1/2% late filing and 2 1/2% late paying).

In addition to the 22 1/2% late filing penalty for the first 5 months a return is late, we continue to charge the 1/2% late paying penalty for each month or part of a month for as long as the tax is unpaid, but not for more than 25%.

The maximum penalty we can charge is 47 1/2% (22 1/2% late filing plus 25% late paying).

**\*\* Partnership Late Filing -- IRC Section 6698(b) \*\***

The penalty is \$85.00 for each partner, for each late month (including part of a month), for up to 12 months (effective for returns required to be filed after 12/20/2007). For returns required to be filed after 12/31/2008, the penalty amount is \$89.00. The Hokie Act adds \$1.00 to the penalty amount for returns with a taxable year beginning in 2008.

**\*\* Interest -- IRC Section 6601 \*\***

We charge interest when tax is not paid on time. We figure interest from the due date of the return (regardless of extensions) to the date we receive full payment or the date of the notice.

**WHAT TO DO IF YOU DISAGREE**

If you have additional information and want your case to receive further consideration by the Office of Appeals, please provide a

July 19, 2011 LTR 852C i0

201012 16

00003135

ARKANSAS LOTTERY COMMISSION  
ARKANSAS SCHOLARSHIP LOTTERY  
% PHILIP MILEY  
PO BOX 323  
LITTLE ROCK AR 72203-0323

detailed written statement of the disputed issues, along with supporting documentation, to the Service Center Appeals Coordinator within 60 days from the date of this letter. It should include:

1. Your name and address;
2. Your employer identification number;
3. A statement that you want to appeal the findings;
4. A statement of facts supporting your position on the issues you are appealing;
5. If possible, a statement outlining the law or other authority on which you rely;
6. A copy of your original request, if available; and
7. A copy of this letter.

The statement of facts, in 4 above, should be detailed and complete, including specific dates, names, amounts, and locations. You must declare the statement true under penalties of perjury. You may do this by adding to your statement the following signed declaration:

"Under penalties of perjury, I declare that the facts presented in my written protest, which are set out in the accompanying statement of facts, schedules, and other statements are, to the best of my knowledge and belief, true, correct, and complete."

If your authorized representative sends us the protest for you, he or she may substitute a declaration stating that he or she prepared the statement and accompanying documents and whether he or she knows that the statement and accompanying documents are true and correct.

Please address your response to:

Internal Revenue Service  
Service Center Penalty Appeals Coordinator  
Attn: Vanessa Kennelly  
P.O. Box 245 DP N-351  
Bensalem PA 19020

Even though you are requesting consideration by the Appeals Office, the Service Center Appeals coordinator will review your additional information first, to determine whether the penalty should be removed or reduced. If your appeal can't be resolved immediately with the additional information, the coordinator will send your written statement to the Appeals Office serving your district.

REPRESENTATION

ARKANSAS LOTTERY COMMISSION  
ARKANSAS SCHOLARSHIP LOTTERY  
% PHILIP MILEY  
PO BOX 323  
LITTLE ROCK AR 72203-0323

An attorney, certified public accountant, or person enrolled to practice before the Internal Revenue Service may represent you. To have someone represent you, attach a Form 2848, Power of Attorney and Declaration of Representative, (or similar written authorization) to your written statement.

Forms, instructions, and Treasury Department Circular No. 230, Regulations Governing the Practice of Attorneys, Certified Public Accountants, Enrolled Agents, Enrolled Actuaries, and Appraisers before the Internal Revenue Service are available from any Internal Revenue Service office. They are also available by calling 1-800-829-3676 and from our website at [www.irs.gov](http://www.irs.gov).

#### OTHER INFORMATION

If taxes are overdue on your account, you will continue to receive bills even if you appeal the penalty. If you decide to appeal, you may pay the penalty to avoid further interest charges on the penalty amount. If you appeal the penalty and the Appeals Officer determines that you are not required to pay it, we will adjust your account and send you a refund.

If you don't appeal, you may file a claim for refund after you pay the penalty. If you want to take your case to court immediately, you should request in writing that your claim for refund be immediately rejected. Then you will be issued a notice of disallowance. You have two years from the date of the notice of disallowance to bring suit in the United States District Court having jurisdiction or in the United States Claims Court.

#### HOW TO CONTACT US

If you have any questions, please call us toll free at 1-800-829-0115.

If you prefer, you may write to us at the address shown at the top of the first page of this letter.

Whenever you write, please include this letter and, in the spaces below, give us your telephone number with the hours we can reach you. Also, you may want to keep a copy of this letter for your records.

Telephone Number ( ) \_\_\_\_\_ Hours \_\_\_\_\_

0566309193

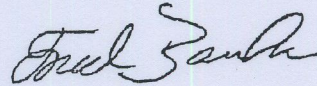
July 19, 2011 LTR 852C i0

201012 16

00003137

\_\_\_\_\_ ARKANSAS LOTTERY COMMISSION  
\_\_\_\_\_ ARKANSAS SCHOLARSHIP LOTTERY  
\_\_\_\_\_ % PHILIP MILEY  
\_\_\_\_\_ PO BOX 323  
\_\_\_\_\_ LITTLE ROCK AR 72203-0323  
\_\_\_\_\_  
\_\_\_\_\_

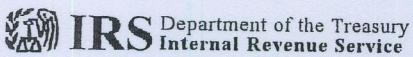
Sincerely yours,



Fred Banks  
Operations Manager, Collection

Enclosures:  
Copy of this letter  
Envelope  
Publication 1





PO BOX 8208  
PHILADELPHIA PA 19101-8208

In reply refer to: 0566309193  
July 19, 2011 LTR 852C i0  
[REDACTED] 201012 16  
00003133  
BODC: TE

ARKANSAS LOTTERY COMMISSION  
ARKANSAS SCHOLARSHIP LOTTERY  
% PHILIP MILEY  
PO BOX 323  
LITTLE ROCK AR 72203-0323

Taxpayer Identification Number: [REDACTED]  
Tax Period: Dec. 31, 2010  
Form: 945  
Kind of Penalty(s): Failure to Deposit

Dear Taxpayer:

#### WHY WE ARE CONTACTING YOU

Thank you for your inquiry dated Apr. 27, 2011 asking us to remove your penalty(s).

We have thoroughly reviewed your case, but we find that the information provided does not establish reasonable cause. Therefore, we must deny the request to remove your penalty(s).

#### WHY WE COULD NOT REMOVE YOUR PENALTY CHARGES

You explained that you have a good history of making timely and accurate deposits. However, a review of your account history shows that we have charged similar penalties in the past.

You asked us to remove the interest as well as the penalty(s) on your account. However, the law does not permit us to remove interest for reasonable cause. We charge interest on any unpaid tax, regardless of whether you had reasonable cause.

#### YOUR CURRENT BALANCE

Your total balance due currently is \$99,673.29. This amount includes penalty and interest figured to Aug. 02, 2011. We will continue to charge interest until the amount you owe is paid in full.

We've provided a general explanation of the possible penalties and/or interest included in the current balance due on your account. If you would like a specific explanation of how the amounts were computed on your account, please contact us at the toll-free number shown in this letter and we will send you a detailed computation.

\*\* Paying Late -- IRC Section 6651(d) \*\*

PHILIP MILEY  
% PHILIP MILEY  
PO BOX 323  
LITTLE ROCK AR 72203-0323

Initially, the penalty is 1/2% of the unpaid tax for each month or part of a month the tax isn't paid.

If we issue a Notice of Intent to Levy and the balance due isn't paid within 10 days from the date of the notice, the penalty increases to 1% a month.

The penalty can't be more than 25% of the tax paid late.

**\*\* Filing and Paying Late -- IRC Section 6651 \*\***

We charge a 5% combined penalty of 4 1/2% for filing late and 1/2% for paying late when a return is filed late and the tax is not paid by the due date of the return. The combined penalty is 5% of the unpaid tax for each month or part of a month the return is late, but not more than 5 months, which would total 25% (22 1/2% late filing and 2 1/2% late paying).

In addition to the 22 1/2% late filing penalty for the first 5 months a return is late, we continue to charge the 1/2% late paying penalty for each month or part of a month for as long as the tax is unpaid, but not for more than 25%.

The maximum penalty we can charge is 47 1/2% (22 1/2% late filing plus 25% late paying).

**\*\* Partnership Late Filing -- IRC Section 6698(b) \*\***

The penalty is \$85.00 for each partner, for each late month (including part of a month), for up to 12 months (effective for returns required to be filed after 12/20/2007). For returns required to be filed after 12/31/2008, the penalty amount is \$89.00. The Hokie Act adds \$1.00 to the penalty amount for returns with a taxable year beginning in 2008.

**\*\* Interest -- IRC Section 6601 \*\***

We charge interest when tax is not paid on time. We figure interest from the due date of the return (regardless of extensions) to the date we receive full payment or the date of the notice.

#### WHAT TO DO IF YOU DISAGREE

If you have additional information and want your case to receive further consideration by the Office of Appeals, please provide a

July 19, 2011 LTR 852C i0

201012 16

00003135

ARKANSAS LOTTERY COMMISSION  
ARKANSAS SCHOLARSHIP LOTTERY  
% PHILIP MILEY  
PO BOX 323  
LITTLE ROCK AR 72203-0323

detailed written statement of the disputed issues, along with supporting documentation, to the Service Center Appeals Coordinator within 60 days from the date of this letter. It should include:

1. Your name and address;
2. Your employer identification number;
3. A statement that you want to appeal the findings;
4. A statement of facts supporting your position on the issues you are appealing;
5. If possible, a statement outlining the law or other authority on which you rely;
6. A copy of your original request, if available; and
7. A copy of this letter.

The statement of facts, in 4 above, should be detailed and complete, including specific dates, names, amounts, and locations. You must declare the statement true under penalties of perjury. You may do this by adding to your statement the following signed declaration:

"Under penalties of perjury, I declare that the facts presented in my written protest, which are set out in the accompanying statement of facts, schedules, and other statements are, to the best of my knowledge and belief, true, correct, and complete."

If your authorized representative sends us the protest for you, he or she may substitute a declaration stating that he or she prepared the statement and accompanying documents and whether he or she knows that the statement and accompanying documents are true and correct.

Please address your response to:

Internal Revenue Service  
Service Center Penalty Appeals Coordinator  
Attn: Vanessa Kennelly  
P.O. Box 245 DP N-351  
Bensalem PA 19020

Even though you are requesting consideration by the Appeals Office, the Service Center Appeals coordinator will review your additional information first, to determine whether the penalty should be removed or reduced. If your appeal can't be resolved immediately with the additional information, the coordinator will send your written statement to the Appeals Office serving your district.

REPRESENTATION



ARKANSAS LOTTERY COMMISSION  
ARKANSAS SCHOLARSHIP LOTTERY  
% PHILIP MILEY  
PO BOX 323  
LITTLE ROCK AR 72203-0323

An attorney, certified public accountant, or person enrolled to practice before the Internal Revenue Service may represent you. To have someone represent you, attach a Form 2848, Power of Attorney and Declaration of Representative, (or similar written authorization) to your written statement.

Forms, instructions, and Treasury Department Circular No. 230, Regulations Governing the Practice of Attorneys, Certified Public Accountants, Enrolled Agents, Enrolled Actuaries, and Appraisers before the Internal Revenue Service are available from any Internal Revenue Service office. They are also available by calling 1-800-829-3676 and from our website at [www.irs.gov](http://www.irs.gov).

#### OTHER INFORMATION

If taxes are overdue on your account, you will continue to receive bills even if you appeal the penalty. If you decide to appeal, you may pay the penalty to avoid further interest charges on the penalty amount. If you appeal the penalty and the Appeals Officer determines that you are not required to pay it, we will adjust your account and send you a refund.

If you don't appeal, you may file a claim for refund after you pay the penalty. If you want to take your case to court immediately, you should request in writing that your claim for refund be immediately rejected. Then you will be issued a notice of disallowance. You have two years from the date of the notice of disallowance to bring suit in the United States District Court having jurisdiction or in the United States Claims Court.

#### HOW TO CONTACT US

If you have any questions, please call us toll free at 1-800-829-0115.

If you prefer, you may write to us at the address shown at the top of the first page of this letter.

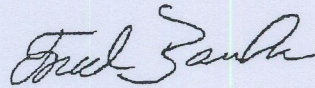
Whenever you write, please include this letter and, in the spaces below, give us your telephone number with the hours we can reach you. Also, you may want to keep a copy of this letter for your records.

Telephone Number ( ) \_\_\_\_\_ Hours \_\_\_\_\_

0566309193  
July 19, 2011 LTR 852C i0  
[REDACTED] 201012 16  
00003137

ARKANSAS LOTTERY COMMISSION  
ARKANSAS SCHOLARSHIP LOTTERY  
% PHILIP MILEY  
PO BOX 323  
LITTLE ROCK AR 72203-0323

Sincerely yours,



Fred Banks  
Operations Manager, Collection

Enclosures:  
Copy of this letter  
Envelope  
Publication 1

8

6/13/11 9:00 AM

IRS Rep # 0199573 - Bradshaw

6/3/11 → letter sent + put on hold until  
IRS can review our letter + documentation:  
may take another 45 days

OGDEN UT 84201-0038

In reply refer to: 0438860155  
May 25, 2011 LTR 86C 0  
[REDACTED] 201012 16  
00000502  
BODC: TE

ARKANSAS LOTTERY COMMISSION  
ARKANSAS SCHOLARSHIP LOTTERY  
% PHILIP MILEY  
124 W CAPITOL AVE STE 1400  
LITTLE ROCK AR 72201-3736



044684

Taxpayer Identification Number: [REDACTED]  
Tax Period(s): Dec. 31, 2010  
Form: 945

Dear Taxpayer:

Thank you for your inquiry of Apr. 27, 2011.

We're sending your letter to our office at the address shown at the end of this letter, since they are now responsible for collecting the amount you owe on your account.

Your total balance due for the tax period(s) shown above, which includes penalty and interest computed to June 16, 2011, is \$99,161.25. We will continue to charge penalties and interest until you pay the amount you owe in full. Send your payments to the Service Center address shown above.

We've provided, below, a general explanation of the possible penalties and/or interest included in the current balance due on your account. If you would like a specific explanation of how the amounts were computed on your account, please contact us at the toll-free number shown in this letter and we will send you a detailed computation.

**\*\* Paying Late -- IRC Section 6651(d) \*\***

Initially, the penalty is 1/2% of the unpaid tax for each month or part of a month the tax isn't paid.

If we issue a Notice of Intent to Levy and the balance due isn't paid within 10 days from the date of the notice, the penalty increases to 1% a month.

The penalty can't be more than 25% of the tax paid late.

**\*\* Filing and Paying Late -- IRC Section 6651 \*\***

We charge a 5% combined penalty of 4 1/2% for filing late and 1/2% for paying late when a return is filed late and the tax is not paid by the due date of the return. The combined penalty is 5% of the unpaid tax for each month or part of a month the return

0438860155  
May 25, 2011 LTR 86C 0  
[REDACTED] 201012 16  
00000503

ARKANSAS LOTTERY COMMISSION  
ARKANSAS SCHOLARSHIP LOTTERY  
% PHILIP MILEY  
124 W CAPITOL AVE STE 1400  
LITTLE ROCK AR 72201-3736

is late, but not more than 5 months, which would total 25% (22 1/2% late filing and 2 1/2% late paying).

In addition to the 22 1/2% late filing penalty for the first 5 months a return is late, we continue to charge the 1/2% late paying penalty for each month or part of a month for as long as the tax is unpaid, but not for more than 25%.

The maximum penalty we can charge is 47 1/2% (22 1/2% late filing plus 25% late paying).

**\*\* Partnership Late Filing -- IRC Section 6698(b) \*\***

The penalty is \$85.00 for each partner, for each late month (including part of a month), for up to 12 months (effective for returns required to be filed after 12/20/2007). For returns required to be filed after 12/31/2008, the penalty amount is \$89.00. The Hokie Act adds \$1.00 to the penalty amount for returns with a taxable year beginning in 2008.

**\*\* Interest -- IRC Section 6601 \*\***

We charge interest when tax is not paid on time. We figure interest from the due date of the return (regardless of extensions) to the date we receive full payment or the date of the notice.

If you need forms, schedules, or publications, you can obtain them by visiting the IRS website at [www.irs.gov](http://www.irs.gov) or by calling toll-free at 1-800-TAX-FORM (1-800-829-3676).

If you have any questions, please call us toll free at 1-800-829-0115.

If you prefer, you may write to us at the address shown at the top of the first page of this letter.

*called 6/10/11  
held for 30 min.  
then hung up.*

Whenever you write, please include a copy of this letter with your response. Use the space below to indicate a telephone number and the best time for us to call you should we need more information. Keep a copy of this letter and any information that you send to us for your records.

Telephone Number ( ) \_\_\_\_\_ Hours \_\_\_\_\_

We apologize for any inconvenience, and thank you for your cooperation.

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May 25, 2011 LTR 86C 0  
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ARKANSAS LOTTERY COMMISSION  
ARKANSAS SCHOLARSHIP LOTTERY  
% PHILIP MILEY  
124 W CAPITOL AVE STE 1400  
LITTLE ROCK AR 72201-3736



044684

Sincerely yours,

A handwritten signature in cursive script that reads "Sharon Davies".

Sharon Davies  
Accounts Management I

To: Internal Revenue Service  
2970 Market Street  
Philadelphia PA 19104-5016



Department of the Treasury  
Internal Revenue Service

Notice 1155 (CG/EN/SP)  
**Disaster Relief from the IRS**

If you have been impacted by the recent disaster in your area and are unable to meet your tax obligations, the IRS may be able to assist with payment and filing extensions, and if qualified, with an expedited tax refund for casualty losses. Please call the IRS Disaster Hotline at 1-866-562-5227 to find out what type of administrative tax relief is available.

For assistance in calculating any disaster loss, please call 1-800-829-3676 and order Publication 2194, *Disaster Losses Kit for Individuals* or Publication 2194-B, *Disaster Losses Kit for Businesses*. If you have access to the Internet you may log on to [www.irs.gov](http://www.irs.gov) and use the keyword "disaster" to view additional information.

Aviso 1155

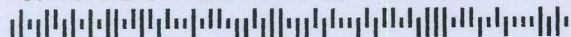
**Alivio de Desastre por parte del IRS**

Si usted ha sido impactado por el reciente desastre en su área y no ha podido cumplir con sus obligaciones tributarias, el IRS podría ayudarle a extender el término para el pago y presentación, y si califica, con un reembolso rápido del impuesto por las pérdidas fortuitas. Por favor llame a la Línea de Emergencia del IRS al 1-866-562-5227, para averiguar qué tipo de alivio administrativo tributario está disponible.

Para ayudarle a calcular cualquier pérdida fortuita, por favor llame al 1-800-829-3676, y ordene la Publicación 2194, *Disaster Losses Kit for Individuals* (Paquete de Formas para Individuos Sobre Pérdidas Fortuitas) o la Publicación 2194-B, *Disaster Losses Kit for Businesses* (Paquete de Formas para Negocios Sobre Pérdidas Fortuitas), ambas en inglés. Si usted tiene acceso al Internet conéctese con la página del IRS en [www.irs.gov](http://www.irs.gov), y use la palabra clave "desastre" (disaster), para ver la información adicional.

OGDEN UT 84201-0038

044684.852318.0212.005 1 AB 0.368 870



ARKANSAS LOTTERY COMMISSION  
ARKANSAS SCHOLARSHIP LOTTERY  
% PHILIP MILEY  
124 W CAPITOL AVE STE 1400  
LITTLE ROCK AR 72201-3736

044684

CUT OUT AND RETURN THE VOUCHER AT THE BOTTOM OF THIS PAGE IF YOU ARE MAKING A PAYMENT,  
EVEN IF YOU ALSO HAVE AN INQUIRY.



The IRS address must appear in the window.

Use for payments

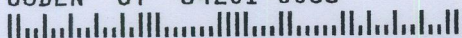
BODCD-TE

0438860155

Letter Number: LTR0086C  
Letter Date : 2011-05-25  
Tax Period : 201012

INTERNAL REVENUE SERVICE

OGDEN UT 84201-0038



ARKANSAS LOTTERY COMMISSION  
ARKANSAS SCHOLARSHIP LOTTERY  
% PHILIP MILEY  
124 W CAPITOL AVE STE 1400  
LITTLE ROCK AR 72201-3736





Department of the Treasury  
**Internal Revenue Service**  
 ACS SUPPORT  
 PO BOX 8208  
 PHILADELPHIA, PA 19101-8208

Date:  
 MAY 16, 2011

27-0693378

Taxpayer Identification Number:  
 [REDACTED]

Contact Telephone Number:  
 TOLL FREE: 1-800-829-3903  
 BEST TIME TO CALL:  
 MON - FRI 8:00 AM TO 8:00 PM  
 ASISTENCIA EN ESPANOL 1-800-829-3903

012730.870030.0064.002 2 AB 0.493 1022  
 [Barcode]

ARKANSAS LOTTERY COMMISSION  
 ARKANSAS SCHOLARSHIP LOTTERY  
 % PHILIP MILEY  
 124 W CAPITOL AVE STE 1400  
 LITTLE ROCK AR 72201-3736504

CALL BACK by  
 7/19/2011  
 if NOT Resolved

-----  
 CUT AND RETURN THIS VOUCHER IF YOU HAVE ONLY AN INQUIRY . DO NOT  
 USE IF YOU ARE INCLUDING A PAYMENT.

Automated Collection System  
 LT16

ACS Case Reference Number:  
 6497538654

MFT/TXPD: 16 /201012

Internal Revenue Service  
 ACS SUPPORT  
 PO BOX 8208  
 PHILADELPHIA, PA 19101-8208

-----  
 CUT AND RETURN THIS VOUCHER IF YOU ARE INCLUDING A PAYMENT . DO NOT  
 USE IF YOU HAVE AN INQUIRY ONLY.

Automated Collection System  
 LT16

ACS Case Reference Number:  
 6497538654

MFT/TXPD: 16 /201012

Amount Enclosed:\$ \_\_\_\_\_

INTERNAL REVENUE SERVICE  
 PO BOX 219690  
 KANSAS CITY, MO 64121-9690



Department of the Treasury  
Internal Revenue Service

ACS SUPPORT  
PO BOX 8208  
PHILADELPHIA, PA 19101-8208

Date:  
MAY 16, 2011

Taxpayer Identification Number:  
[REDACTED] D 00

Case Reference Number:  
6497538654

Caller ID: 308947

Contact Telephone Number:  
TOLL FREE: 1-800-829-3903  
BEST TIME TO CALL:  
MON - FRI 8:00 AM TO 8:00 PM  
ASISTENCIA EN ESPANOL 1-800-829-3903

ARKANSAS LOTTERY COMMISSION  
ARKANSAS SCHOLARSHIP LOTTERY  
% PHILIP MILEY  
124 W CAPITOL AVE STE 1400  
LITTLE ROCK AR 72201-3736504

### Please Call Us About Your Overdue Taxes or Tax Returns

Although you may have responded to our previous notices or contact, your tax issue is still not resolved. As a result, your account has been assigned to this office for enforcement action, which could include seizing your wages or property. It's important that we hear from you within 10 days from the date of this letter.

IF YOU AREN'T ABLE TO PAY YOUR OVERDUE AMOUNT IN FULL, please call the telephone number shown above. Be ready to tell us your monthly income and expenses so we can help you arrange a payment plan.

IF YOU CAN FILE YOUR TAX RETURN WITH FULL PAYMENT, mail it to us within 10 days from the date of this letter. To help us apply your payment correctly, write your taxpayer identifying number and tax period on your check or money order and make it payable to the United States Treasury. Please send us your tax return and payment along with the enclosed return cover sheet in the envelope provided. Keep this letter for your records.

IF YOU CAN'T FILE YOUR TAX RETURN WITHIN 10 DAYS, please call us at the telephone number shown above. To help us determine if you need to file, be ready to provide us with your filing information. For an individual return, this includes your income, filing status, and total federal taxes withheld. For a business return, this includes wages paid, number of employees, and payroll Federal Tax Deposits (FTD) made.

IF YOU WOULD LIKE SOMEONE ELSE to call us for you, we must have a signed statement from you allowing us to disclose your tax information to this person. You should make your statement on Form 2848, "Power of Attorney and Declaration of Representative", which you can get from any IRS office or download from the IRS web site ([www.irs.gov](http://www.irs.gov)). You must send us a copy of the completed form before your representative calls.

Enclosures:  
Return Cover Sheet  
Envelope

*Mary Hannah*

Operations Manager, Automated Collection System



\*270693398223\*

Pay By Date: 06-01-2011

Account Summary		ARKANSAS LOTTERY COMMISSION		XX-XXX3398	
Type of Tax	Period Ending	Assessed Balance	Accrued Interest	Late Payment Penalty	Total
945	12-31-2010	\$ 98,446.66	\$ 551.73	\$ 0.00	\$ 98,998.39
				<b>Total Amount Due</b>	<b>\$ 98,998.39</b>
Type of Tax	Period Ending	Name of Return			

Taxpayer Identification Number:

Case Reference Number:

6497538654

## *Penalty and Interest*



12730

The penalty and interest charges on your account are explained below. If you want a more detailed explanation of your penalty and interest, please call the telephone number listed on the front of this notice/letter.

### **Paying Late - Internal Revenue Code Sections 6651(a)(2), a(3) and (d)(1)**

We charge a late payment penalty of 1/2 percent of the tax owed for each month or part of a month the tax remains unpaid from the due date, up to a maximum of 25 percent of the tax due. The 1/2 percent increases to 1 percent for each subsequent month or part of a month if the tax remains unpaid 10 days after the IRS issues a notice of intent to levy.

### **Interest - IRC Section 6601**

We charge interest when your tax is not paid on time. Interest is computed from the due date of your return (regardless of extensions) until paid in full. Interest is also charged on penalties for late filing, late payment, over or understating valuations, and substantially understating the tax you owe. Interest compounds daily, except on late or underpaid estimated income taxes for individuals or corporations.

**Corporate Interest** - We charge additional interest of 2 percent if, according to our records, you didn't make your corporate tax (income, employment, excise, etc.) payment within 30 days after we notified you of the underpayment of tax. This interest begins on the 31st day after we notify you of the underpayment on tax amounts you owe over \$100,000, minus your timely payments and credits.



Department of the Treasury  
Internal Revenue Service

Notice 1155 (CG/EN/SP)

## Disaster Relief from the IRS

If you have been impacted by the recent disaster in your area and are unable to meet your tax obligations, the IRS may be able to assist with payment and filing extensions, and if qualified, with an expedited tax refund for casualty losses. Please call the IRS Disaster Hotline at 1-866-562-5227 to find out what type of administrative tax relief is available.

For assistance in calculating any disaster loss, please call 1-800-829-3676 and order Publication 2194, *Disaster Losses Kit for Individuals* or Publication 2194-B, *Disaster Losses Kit for Businesses*. If you have access to the Internet you may log on to [www.irs.gov](http://www.irs.gov) and use the keyword "disaster" to view additional information.

Aviso 1155

## Alivio de Desastre por parte del IRS

Si usted ha sido impactado por el reciente desastre en su área y no ha podido cumplir con sus obligaciones tributarias, el IRS podría ayudarle a extender el término para el pago la y presentación, y si califica, con un reembolso rápido del impuesto por las pérdidas fortuitas. Por favor llame a la Línea de Emergencia del IRS al 1-866-562-5227, para averiguar qué tipo de alivio administrativo tributario está disponible.

Para ayudarle a calcular cualquier pérdida fortuita, por favor llame al 1-800-829-3676, y ordene la Publicación 2194, *Disaster Losses Kit for Individuals* (Paquete de Formas para Individuos Sobre Pérdidas Fortuitas) o la Publicación 2194-B, *Disaster Losses Kit for Businesses* (Paquete de Formas para Negocios Sobre Pérdidas Fortuitas), ambas en inglés. Si usted tiene acceso al Internet conéctese con la página del IRS en [www.irs.gov](http://www.irs.gov), y use la palabra clave "desastre" (disaster), para ver la información adicional.



"A Natural State of Fun!"

Arkansas Lottery  
Commission

Ray Thornton,  
Chair

April 27, 2011

Jane Lamberth,  
Vice Chair

Department of the Treasury  
Internal Revenue Service  
OGDEN, UT 84201-0039

errick W. Smith,  
Secretary/Treasurer

George Hammons

Re: TIN [REDACTED] IRS notice CP161, dated 4/11/11, IRS Form 945 for 2010

Mike Malone

Your notice referenced above has assessed Arkansas Lottery Commission (ALC) for penalties in the amount of \$98,446.66. Your letter states that the assessment was due to tax deposits not made in sufficient amounts by the dates required.

Ben Pickard

Patty L. Shipp

isan Ward-Jones

On May 7, 2010, I talked to IRS representative Melissa (Fed #2985998) regarding the penalties charged on the IRS notice CP220 dated April 26, 2010 for the calendar year 2009. We discussed the deposit rules and that this was the first year of operation for the ALC with new employees and she agreed to waive the penalties. We also discussed that to resolve any future misunderstanding and to continue our practice of remitting taxes early and more often than is required, **effective May 1, 2010 we would begin making daily 945 deposits**. As you can see from the attached schedule, the result of making daily deposits created, in most cases, deposits much earlier than the required due dates.

Joe White

ie Passailaigue,  
Executive Director

The Arkansas Lottery Commission is an Agency of the State of Arkansas, whose sole purpose is to raise funds for student scholarships for higher education. ALC began operations on September 28, 2009. Lottery operations are relatively new to most of our employees. We strive to perform ethical business practices and comply with all laws and regulations that affect our business operations.

Any penalties assessed for this situation will be a direct dollar for dollar reduction in scholarship funds. It was never our intent to make untimely deposits and **we actually made deposits earlier and more often than what was required**. If you will review the attached schedule, you will see that almost all deposits were made early after our discussion with IRS representative Melissa on May 7<sup>th</sup>, 2010. Therefore, we respectfully ask that the IRS waive the penalties assessed.

Thanks for your consideration.

Philip Miley  
Chief Fiscal Officer  
Arkansas Lottery Commission



Department of the Treasury  
Internal Revenue Service  
Ogden UT 84201-0039

For assistance, call:  
1-800-829-0115

Notice Number: CP161  
Date: April 11, 2011

Taxpayer Identification Number:

[REDACTED]

Tax Form: 945

Tax Period: December 31, 2010

002264.839145.0009.001 1 MB 0.382 870  
[Barcode]

ARKANSAS LOTTERY COMMISSION  
ARKANSAS SCHOLARSHIP LOTTERY  
124 W CAPITOL AVE STE 1400  
LITTLE ROCK AR 72201-3736504



002264

Request for Payment

Withholding Tax

Our records show you owe \$98,446.66 on your return for the above tax period. The penalty shown below is because your tax deposits were not made in sufficient amounts by the dates required.

What You Need to Do

Pay the amount you owe now by using one of the following methods. To avoid additional penalty and/or interest, we must receive your payment by May 2, 2011. The Electronic Federal Tax Payment System (EFTPS) is the preferred method to ensure your tax payments are on time and secure.

- **EFTPS**
  - If you are currently enrolled, go to [www.eftps.gov](http://www.eftps.gov) or call 1-800-555-4477.
  - To learn more about EFTPS and other electronic payment options, including credit card payments, visit [www.irs.gov](http://www.irs.gov) keyword: e-pay.
- **Check or Money Order**
  - Make your check or money order payable to the **United States Treasury**;
  - Write your taxpayer identification number, tax form number, tax period, and your phone number on your payment; and
  - Mail your payment with the payment voucher located at the bottom of this notice in the enclosed envelope.

If you choose to pay by check or money order, please allow enough mailing time so that we receive your payment by May 2, 2011.

If you believe this notice is incorrect, please call us at 1-800-829-0115. When you call, please have your payment information and a copy of your return available. This information will help us find any payment you made that we haven't applied.

Tax Statement

Tax on Return  
Total Credits

\$7,508,053.00  
\$7,508,053.00-

Amount Previously Refunded to You	\$ .00
Overpayment	\$ .00
Penalty	\$98,446.66
Interest	\$ .00
<b>Total Amount You Owe</b>	<b>\$98,446.66</b>

If you are an employer required to withhold federal income, Social Security (or railroad retirement), and Medicare taxes from your employees' wages or salaries, you could be liable for certain unpaid federal taxes.

For tax forms, instructions and information visit [www.irs.gov](http://www.irs.gov). (Access to this site will not provide you with your specific taxpayer account information.)

### **Penalty and Interest**

About Your Notice - The penalty and/or interest charges on your account are explained on the following pages. If you want a more detailed explanation of your penalties and interest, please call the telephone number listed on the top of this notice. You may call your local IRS telephone number if the number shown on your notice is a long-distance call for you. All days mentioned in the paragraphs below are calendar days, unless specifically stated otherwise.

**Penalties: \$98,446.66**

#### **03 Penalty for Not Making a Proper Federal Tax Deposit \$98,446.66**

We charged a penalty because you did not make a proper tax deposit. Common reasons why we charge this penalty are:

- You did not deposit your tax on time
- You did not deposit enough tax
- You paid your tax directly to IRS
- You deposited your tax to an unauthorized financial institution
- You did not deposit your tax electronically, as required by law

If you disagree with this penalty, see "Removal of Penalties" in this notice. For information about depositing taxes, see Publication 15 (Circular E), Employer's Tax Guide; or Publication 51 (Circular A), Agricultural Employer's Tax Guide.

*(Internal Revenue Code section 6656)*



The table below shows how we figured your penalty. We multiplied the rate times the amount due.

Due Date	Pymt Date	Days Late	Pymt Type	Rate	Amt Due	Penalty
01/05/2010	01/13/2010	8	EFT	5%	124,806.00	6,240.30
01/05/2010	02/10/2010	36	EFT	10%	19,444.00	1,944.40
01/08/2010	01/13/2010	5	EFT	2%	2,500.00	50.00
01/21/2010	02/10/2010	20	EFT	10%	10,556.00	1,055.60
01/25/2010	01/27/2010	2	EFT	2%	269,229.00	5,384.58
01/25/2010	02/10/2010	16	EFT	10%	996.00	99.60
02/03/2010	02/04/2010	1	EFT	2%	3,712.00	74.24
02/03/2010	02/10/2010	7	EFT	5%	1,788.00	89.40
02/02/2010	02/03/2010	1	EFT	2%	34,312.00	686.24
02/02/2010	02/04/2010	2	EFT	2%	3,034,693.00	60,693.86
02/18/2010	03/03/2010	13	EFT	5%	17,222.00	861.10
02/24/2010	03/03/2010	7	EFT	5%	20,722.00	1,036.10
02/26/2010	03/03/2010	5	EFT	2%	46,371.00	927.42
03/10/2010	03/25/2010	15	EFT	5%	4,591.00	229.55
03/10/2010	05/03/2010	54	EFT	10%	5,000.00	500.00
03/17/2010	03/25/2010	8	EFT	5%	1,409.00	70.45
03/24/2010	03/25/2010	1	EFT	2%	48,706.00	974.12
03/31/2010	04/14/2010	14	EFT	5%	8,750.00	437.50
03/31/2010	05/03/2010	33	EFT	10%	2,500.00	250.00
04/02/2010	04/07/2010	5	EFT	2%	25,662.00	513.24
04/02/2010	04/14/2010	12	EFT	5%	29,853.00	1,492.65
04/12/2010	04/14/2010	2	EFT	2%	110,000.00	2,200.00
04/21/2010	04/28/2010	7	EFT	5%	22,500.00	1,125.00
04/21/2010	05/03/2010	12	EFT	5%	2,500.00	125.00
04/20/2010	04/21/2010	1	EFT	2%	32,500.00	650.00
04/20/2010	04/28/2010	8	EFT	5%	97,503.00	4,875.15
06/02/2010	06/03/2010	1	EFT	2%	83,058.00	1,661.16
07/06/2010	07/07/2010	1	EFT	2%	25,000.00	500.00
07/06/2010	07/08/2010	2	EFT	2%	25,000.00	500.00
12/07/2010	12/08/2010	1	EFT	2%	128,056.00	2,561.12
12/07/2010	12/09/2010	2	EFT	2%	31,944.00	638.88
					<b>Total Penalty:</b>	<b>98,446.66</b>



002264

**Removal of Penalties**

The law lets us remove or reduce penalties if you have reasonable cause or receive erroneous written advice from IRS.

**Reasonable Cause**

If you believe you have an acceptable reason why IRS should remove or reduce your penalties, send us a signed explanation. After we review your explanation, we will notify you of our decision. In some cases, we may ask you to pay the tax in full before we reduce or remove the penalty for paying late.

### **Erroneous Advice from IRS**


We will remove your penalty if all the following apply:

1. You asked IRS for advice on a specific issue,
2. You gave IRS complete and accurate information,
3. You received advice from IRS,
4. You relied on the advice IRS gave you, and
5. You were penalized based on the advice IRS gave you.

To request removal of the penalty because of erroneous advice from IRS, you should do the following: (1) complete Form 843, Claim for Refund and Request for Abatement; and (2) send it to the IRS Service Center where you filed your return.

The law allows you to tell the IRS where to apply your deposits within the tax return period with a deposit penalty. You have 90 days from the date of the correspondence you received showing the deposit penalty to contact the IRS if you want to specify where to apply your deposits.

The law also allows the IRS to remove the deposit penalty if: (1) the penalty applies to the first required deposit after a required change to your frequency of deposits, and (2) you file your employment tax returns by the due date.

 CUT HERE

Return this voucher with your payment or correspondence.

Your Telephone Number:  
(501) 683 - 1870

Best Time to Call:  
8:00 AM 4:30 PM

**Amount you owe: \$98,446.66**

- You will avoid additional penalties and/or interest if we receive your full payment by **May 2, 2011**

**Amount enclosed: \$ \_\_\_\_\_**

- Make payable to United States Treasury
- Write Taxpayer Identification Number, tax period and tax form number on payment

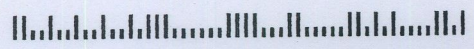
**Correspondence enclosed**

201113 03

29144-043-03107-1

1 Internal Revenue Service  
Ogden UT 84201-0039

ARKANSAS LOTTERY COMMISSION  
ARKANSAS SCHOLARSHIP LOTTERY  
124 W CAPITOL AVE STE 1400  
LITTLE ROCK AR 72201-3736504



5/7/10 - FRS

Melissa

FD # 29 85998



Department of the Treasury  
Internal Revenue Service  
OGDEN UT 84201-0039

For assistance, call:  
1-800-829-0115

Notice Number: CP220  
Date: April 26, 2010

Taxpayer Identification Number:

Tax Form: 945

Tax Period: December 31, 2009

056416.718340.0201.005 1 AT 0.357 705



ARKANSAS LOTTERY COMMISSION  
ARKANSAS SCHOLARSHIP LOTTERY  
124 W CAPITOL AVE STE 1400  
LITTLE ROCK AR 72201-3736504



56416

<b>Amount You Owe as of: May 17, 2010</b>
<b>\$4,297.10</b>

Statement of Adjustment to Your Account

Balance Due on Account Before Adjustment \$12,984.89

Adjustment Computation

Penalty Decrease - Federal Tax Deposit	\$7,204.50
Penalty Decrease - Late Penalty Removed	\$920.00
Reduction of Interest Previously Charged	\$563.29
Net Adjustment Credit	\$8,687.79
Total Amount You Owe	\$4,297.10


What You Need to Do

Pay the amount you owe now by using one of the following methods. To avoid additional penalty and/or interest, we must receive your payment by May 17, 2010. The Electronic Federal Tax Payment System (EFTPS) is the preferred method to ensure your tax payments are on time and secure.

- **EFTPS**
  - If you are currently enrolled, go to [www.eftps.gov](http://www.eftps.gov) or call 1-800-555-4477.
  - To learn more about EFTPS and other electronic payment options, including credit card payments, visit [www.irs.gov](http://www.irs.gov) keyword: e-pay.
- **Check or Money Order**
  - Make your check or money order payable to the **United States Treasury**;
  - Write your taxpayer identification number, tax form number, tax period, and your phone number on your payment; and
  - Mail your payment with the payment voucher located at the bottom of this notice in the enclosed envelope.



056416

 **CUT HERE**

Return this voucher with your payment or correspondence.

Your Telephone Number: ( ) \_\_\_\_\_ - \_\_\_\_\_ Best Time to Call: \_\_\_\_\_ AM \_\_\_\_\_ PM

**Amount you owe: \$4,297.10**

- You will avoid additional penalties and/or interest if we receive your full payment by **May 17, 2010**

**Amount enclosed: \$ \_\_\_\_\_**

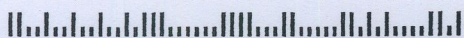
- Make payable to United States Treasury
- Write Taxpayer Identification Number, tax period and tax form number on payment

**Correspondence enclosed**

TE 201015 03301625 29144-023-02401-0

220 Internal Revenue Service  
OGDEN UT 84201-0039

ARKANSAS LOTTERY COMMISSION  
ARKANSAS SCHOLARSHIP LOTTERY  
124 W CAPITOL AVE STE 1400  
LITTLE ROCK AR 72201-3736504



**Annual Return of Withheld Federal Income Tax**  
 ▶ For withholding reported on Forms 1099 and W-2G.  
 ▶ See separate instructions. For more information on income tax withholding, see Pub. 15 (Circ. E) and Pub. 15-A.  
 Please type or print.

**2009**

Enter state code for state in which deposits were made **only** if different from state in address to the right ▶ (see the instructions).

Name (as distinguished from trade name) *ARKANSAS LOTTERY COMMISSION* Calendar year *2009*  
 Trade name, if any \_\_\_\_\_ Employer identification number (EIN) *[REDACTED]*  
 Address (number and street) *124 WEST CAPITOL, SUITE 1400* City, state, and ZIP code *LITTLE ROCK, AR 72201-3706*

If address is different from prior return, check here. ▶

**A** If you do not have to file returns in the future, check here ▶  and enter date final payments made. ▶ \_\_\_\_\_

1	Federal income tax withheld from pensions, annuities, IRAs, gambling winnings, etc. . . . .	1	<i>383 274</i>	<i>00</i>
2	Backup withholding . . . . .	2		
3	<b>Total taxes.</b> If \$2,500 or more, this must equal line 7M below or line M of Form 945-A . . . . .	3	<i>383 274</i>	<i>00</i>
4	Total deposits for 2009, including overpayment applied from a prior year and overpayment applied from Form 945-X . . . . .	4	<i>383 274</i>	<i>00</i>
5	<b>Balance due.</b> If line 3 is more than line 4, write the difference here. For information on how to pay, see the instructions . . . . .	5	<i>-0-</i>	

**6 Overpayment.** If line 4 is more than line 3, enter overpayment here ▶ \$ \_\_\_\_\_ and check if to be:  
 Applied to next return or  Refunded.

- **All filers:** If line 3 is less than \$2,500, do not complete line 7 or Form 945-A.
- **Semiweekly schedule depositors:** Complete Form 945-A and check here . . . . .
- **Monthly schedule depositors:** Complete line 7, entries A through M, and check here . . . . .

**7 Monthly Summary of Federal Tax Liability. (Do not complete if you were a semiweekly schedule depositor.)**

	Tax liability for month		Tax liability for month		Tax liability for month
A January . . . . .		F June . . . . .		K November . . . . .	<i>82418 00</i>
B February . . . . .		G July . . . . .		L December . . . . .	<i>167412 00</i>
C March . . . . .		H August . . . . .		M Total liability for year (add lines A through L) . . . . .	<i>383 274 00</i>
D April . . . . .		I September . . . . .	<i>5000 00</i>		
E May . . . . .		J October . . . . .	<i>128444 00</i>		

**Third-Party Designee** Do you want to allow another person to discuss this return with the IRS (see the instructions)?  Yes. Complete the following.  No.

Designee's name ▶ \_\_\_\_\_ Phone no. ▶ ( ) \_\_\_\_\_ Personal identification number (PIN) ▶ \_\_\_\_\_

**Sign Here** Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature ▶ *Philip Miley* Print Your Name and Title ▶ *Philip Miley Controller* Date ▶ *1/13/10*

**Paid Preparer's Use Only** Preparer's signature ▶ \_\_\_\_\_ Date \_\_\_\_\_ Check if self-employed  Preparer's SSN or PTIN \_\_\_\_\_  
 Firm's name (or yours, if self-employed), address, and ZIP code ▶ \_\_\_\_\_ EIN \_\_\_\_\_  
 Phone no. ( ) \_\_\_\_\_

# Annual Record of Federal Tax Liability

Department of the Treasury  
Internal Revenue Service

▶ File with Form 945, Form 945-X, CT-1, CT1-X, 944, 944-X, or Form 944-SS.

Name (as shown on Form 945, Form 945-X, CT-1, CT1-X, 944, 944-X, or Form 944-SS)

Employer identification number (EIN)

**ARKANSAS LOTTERY COMMISSION**

[REDACTED]

You must complete this form if you are required to deposit on a semiweekly schedule or if your tax liability during any month was \$100,000 or more. Show tax liability here, not deposits. (The IRS gets deposit data from FTD coupons or EFTPS.) **DO NOT change your tax liability by adjustments reported on any Forms 945-X.**

January Tax Liability			February Tax Liability			March Tax Liability		
1		17	1		17	1		17
2		18	2		18	2		18
3		19	3		19	3		19
4		20	4		20	4		20
5		21	5		21	5		21
6		22	6		22	6		22
7		23	7		23	7		23
8		24	8		24	8		24
9		25	9		25	9		25
10		26	10		26	10		26
11		27	11		27	11		27
12		28	12		28	12		28
13		29	13		29	13		29
14		30	14			14		30
15		31	15			15		31
16			16			16		
<b>A Total for month ▶</b>			<b>B Total for month ▶</b>			<b>C Total for month ▶</b>		
April Tax Liability			May Tax Liability			June Tax Liability		
1		17	1		17	1		17
2		18	2		18	2		18
3		19	3		19	3		19
4		20	4		20	4		20
5		21	5		21	5		21
6		22	6		22	6		22
7		23	7		23	7		23
8		24	8		24	8		24
9		25	9		25	9		25
10		26	10		26	10		26
11		27	11		27	11		27
12		28	12		28	12		28
13		29	13		29	13		29
14		30	14		30	14		30
15			15		31	15		
16			16			16		
<b>D Total for month ▶</b>			<b>E Total for month ▶</b>			<b>F Total for month ▶</b>		

### What's New?

**Change in reporting prior period adjustments.** Prior period adjustments previously reported on line 3 of Form 945, Annual Return of Withheld Federal Income Tax, line 12 of Form CT-1, Employer's Annual Railroad Retirement Tax Return, lines 6b through 6e of Form 944, Employer's ANNUAL Federal Tax Return, and lines 6c and 6e of Form 944-SS, Employer's ANNUAL Federal Tax Return - American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands, are no longer reported on Form 945-A.

Prior period adjustments are now reported on new Form 945-X, Adjusted Annual Return of Federal Income Tax or Claim for Refund, Form CT-1 X, Adjusted Employer's Annual Railroad Retirement Tax Return or Claim for Refund, and Form 944-X, Adjusted Employer's ANNUAL Federal Tax Return or Claim for Refund, respectively, and are not taken into account when figuring the tax liability for the current year.

When you file Form 945-A with your Form 945, CT-1, 944, or 944-SS, **do not change your tax liability by adjustments reported on any Forms 945-X, CT1-X, or 944-X.**

**Amended Form 945-A.** If you have been assessed a failure-to-deposit (FTD) penalty, you may be able to file an amended Form 945-A. See *Amending a Previously Filed Form 945-A* on page 3.

### General Instructions

**Purpose of form.** Use Form 945-A to report your federal tax liability (based on the dates payments were made or wages were paid) for the following tax returns.

- Forms 945 and 945-X for federal income tax withholding on nonpayroll payments. Nonpayroll withholding includes backup withholding and federal income tax withholding on pensions, annuities, IRAs, Indian Gaming profits, gambling winnings, and military retirement.
- Forms CT-1 and CT-1 X for withheld Tier I and Tier II taxes.
- Forms 944, and 944-X for social security and Medicare taxes.
- Form 944-SS for social security and Medicare taxes.

**Forms 944-PR, 944(SP), 944-X (SP), and 944-X (PR).** If you are a semiweekly schedule depositor who files Formulario 944-PR, Planilla para la Declaración Federal ANUAL del Patrono, or Formulario 944(SP),



July Tax Liability			August Tax Liability			September Tax Liability			
1		17	1		17	1		17	
2		18	2		18	2		18	
3		19	3		19	3		19	
4		20	4		20	4		20	
5		21	5		21	5		21	
6		22	6		22	6		22	
7		23	7		23	7		23	
8		24	8		24	8		24	
9		25	9		25	9		25	
10		26	10		26	10		26	
11		27	11		27	11		27	
12		28	12		28	12		28	
13		29	13		29	13		29 5000.00	
14		30	14		30	14		30	
15		31	15		31	15		31	
16			16			16			
<b>G Total for month ▶</b>			<b>H Total for month ▶</b>			<b>I Total for month ▶</b> 5000.00			
October Tax Liability			November Tax Liability			December Tax Liability			
1	✓6250.00	17	1		17	✓6250.00	17	✓2500.00	
2		18	2		18	✓6250.00	18	✓3750.00	
3		19	✓6250.00	3		19	✓40972.00	19	
4		20		4	✓19444.00	20	✓280.00	20	
5		21		5		21		21	✓16750.00
6		22	✓4722.00	6		22		22	✓4500.00
7	✓6250.00	23	✓4722.00	7		23	✓18750.00	23	
8	✓12500.00	24		8		24		24	
9	✓5000.00	25		9		25	✓5500.00	25	
10		26	✓10750.00	10	✓5002.00	26	✓5000.00	26	
11		27	✓4500.00	11		27		27	
12	✓5000.00	28		12	✓15000.00	28		28	
13	✓25000.00	29	✓6250.00	13		29		29	✓52500.00
14		30	✓25000.00	14		30	✓19722.00	30	✓4500.00
15		31		15		31	✓6160.00	31	
16	✓6250.00		16	✓17000.00		16			
<b>J Total for month ▶</b> 128444.00			<b>K Total for month ▶</b> 82418.00			<b>L Total for month ▶</b> 167412.00			
<b>M Total tax liability for the year (add lines A through L). This should equal line 3 on Form 945 (line 13 on Form CT-1, line 9 on Form 944, or line 7 on Form 944-SS.)</b>								<b>▶ 383274.00</b>	

Declaración Federal ANUAL de Impuestos del Patrono o Empleador, you should use Formulario 943A-PR, Registro de la Obligación Contributiva Federal del Patrono Agrícola, to report your tax liability.

**Who must file.** Semiweekly schedule depositors must complete and file Form 945-A with their tax return. Do not file Form 945-A if your tax liability for the return period is less than \$2,500. Do not file this form if you are a monthly schedule depositor unless you accumulated a tax liability of \$100,000 during any month of the year. Monthly schedule depositors who accumulate \$100,000 become semiweekly schedule depositors for the remainder of the year (and the next year) and must complete Form 945-A for the entire year.

The deposit rules, including the \$100,000 Next-Day Deposit Rule, are explained in section 11 of Pub. 15 (Circular E), Employer's Tax Guide; section 8 of Pub. 80 (Circular SS), Federal Tax Guide for Employers in the U.S. Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands; and in the instructions for your tax return.

**Caution.** IRS uses Form 945-A to match the tax liability you reported on the returns indicated above with your deposits. The IRS also uses Form 945-A to determine if you have deposited your withholding and employment tax liabilities on time. Unless Form 945-A is properly completed and filed (if applicable) with your federal income tax withholding or employment tax return, the IRS may propose an "averaged" failure-to-deposit penalty. See *Deposit Penalties* in section 11 of Pub. 15 (Circular E); or section 8 of Pub. 80 (Circular SS) for more information.

### Specific Instructions

If you must report your tax liabilities on Form 945-A as discussed above, file it with your tax return. Each numbered space on Form 945-A corresponds to a date during the year. Report your tax liabilities in the spaces that correspond to the dates you made payments, not the date tax deposits were made. For example, if you became liable for a pension distribution on December 31, 2008, but did not make the distribution until January 3, 2009, the federal income tax withholding liability for the distribution must be reported on Form 945-A for 2009, on line 3 under January Tax Liability.

**Enter your business information.** Carefully enter your employer identification number (EIN) and name at the top of the form. Make sure that they exactly match the name of your business and the EIN that the IRS assigned to your business and also agree with the name and EIN shown on the attached Form 945, 945-X, CT-1, CT-1 X, 944, 944-X, or 944-SS.

**Calendar year.** Enter the calendar year of the Form 945, 945-X, CT-1, CT-1 X, 944, 944-X, or 944-SS to which Form 945-A is attached.

**Form 945 filers.** Do not complete entries A through M of the Monthly Summary of Federal Tax Liability (line 7 on Form 945). Be sure to mark the semiweekly schedule depositor checkbox above line 7 on Form 945.

**Form CT-1 filers.** Do not complete the Monthly Summary of Railroad Retirement Tax Liability (page 2 on Form CT-1).

**Form 944 and 944-SS filers.** On Form 944, check the box for "Line 9 is \$2,500 or more" at line 15, and leave blank lines 15a-15m and complete line 16. On Form 944-SS, check the box for "Line 7 is \$2,500 or more" at line 15, and leave blank lines 15a-15m.

Arkansas Lottery Commission  
 Schedule of Accumulated 945 Tax Liability  
 For the Calendar Year Ended 12/31/2009

<u>Claim Date</u>	<u>Name</u>		<u>Gross</u>	<u>FED Tax</u>	<u>Deposits</u>	<u>Accum Liab.</u>
09/29/2009	Delina	Snow	20,000.00	5,000.00		5,000.00
10/01/2009	Stan	Tapp	25,000.00	6,250.00		11,250.00
10/05/2010	945 tax deposit				11,250.00	0.00
10/07/2009	Danny	Howell	25,000.00	6,250.00		6,250.00
10/08/2009	Eddie	Lockett	25,000.00	6,250.00		12,500.00
10/08/2009	Steven	Blake	25,000.00	6,250.00		18,750.00
10/09/2009	James	Johnson	20,000.00	5,000.00	18,750.00	5,000.00
10/12/2009	Glenda	Martin	20,000.00	5,000.00		10,000.00
10/13/2009	Joseph	Pierce	100,000.00	25,000.00		35,000.00
10/16/2009	Dorris	Ingram	25,000.00	6,250.00	35,000.00	6,250.00
10/19/2009	David	Alcocer	25,000.00	6,250.00		12,500.00
10/22/2009	Connie	Davis	18,888.00	4,722.00		17,222.00
10/23/2009	Lola	Richardson	18,888.00	4,722.00	17,222.00	4,722.00
10/26/2009	Soloman	Mayo	18,000.00	4,500.00		9,222.00
10/26/2009	John	Beasley	25,000.00	6,250.00		15,472.00
10/27/2009	Lillene	Franklin	18,000.00	4,500.00		19,972.00
10/29/2009	Brandon	Williams	25,000.00	6,250.00		26,222.00
10/30/2009	Alex	Kimbrell	100,000.00	25,000.00	51,222.00	0.00
11/04/2009	Jamaal	Cole	77,777.00	19,444.00		19,444.00
11/06/2010	945 tax deposit				19,444.00	0.00
11/10/2009	Leah	Barlow	10,007.00	2,502.00		2,502.00
11/10/2009	Haley	Drake	10,000.00	2,500.00		5,002.00
11/12/2009	Anna	Robinson	25,000.00	6,250.00		11,252.00
11/12/2009	Leonard	Reed	20,000.00	5,000.00		16,252.00
11/12/2009	Connie	Vaden	15,000.00	3,750.00		20,002.00
11/16/2009	Ruby	McClellan	50,000.00	12,500.00		32,502.00
11/16/2009	Randa	Hickey	18,000.00	4,500.00		37,002.00
11/17/2009	David	Weston Jr	25,000.00	6,250.00	20,002.00	23,250.00
11/23/2009	945 tax deposit				23,250.00	0.00
11/30/2009	Charles	Prichard	18,888.00	4,722.00		4,722.00
11/30/2009	Vickie	Ply	10,000.00	2,500.00		7,222.00
11/30/2009	Crystal	Balch	50,000.00	12,500.00		19,722.00
12/01/2009	George	Bradford	10,000.00	2,500.00		22,222.00
12/02/2009	Shannon	Holtorf	25,000.00	6,250.00		28,472.00
12/03/2009	Christopher	Williams	18,888.00	4,722.00		33,194.00
12/03/2009	Teresa	Bates	100,000.00	25,000.00		58,194.00
12/03/2009	Jeanie	Coleman	20,000.00	5,000.00		63,194.00
12/03/2009	James	Lott	25,000.00	6,250.00		69,444.00
12/04/2009	Amin	Pabani	1,000.00	280.00		69,724.00
12/07/2009	Jeffery	Burriss	20,000.00	5,000.00	69,724.00	5,000.00
12/07/2009	Maria	Sanders	30,000.00	7,500.00		12,500.00
12/07/2009	Audrey	Sturch	25,000.00	6,250.00		18,750.00
12/09/2009	Janice	Tate	22,000.00	5,500.00		24,250.00
12/10/2009	Stephanie	Banet	20,000.00	5,000.00		29,250.00
12/14/2009	945 tax deposit				29,250.00	0.00
12/15/2009	DOROTHY	WALLACE	22,000.00	6,160.00		6,160.00
12/18/2009	Katrishia	Stuart	15,000.00	3,750.00		9,910.00
12/21/2009	Ethelyn	Acord	20,000.00	5,000.00	9,910.00	5,000.00
12/21/2009	Katheyrn	Butcher	22,000.00	5,500.00		10,500.00
12/21/2009	Doris	Bonner	25,000.00	6,250.00		16,750.00
12/22/2009	Melba	Robinson	18,000.00	4,500.00		21,250.00
12/28/2010	945 tax deposit				21,250.00	0.00
12/30/2009	CHARLIE	HOLLOWAY	18,000.00	4,500.00		4,500.00
12/29/2009	Angela	Boyce	100,000.00	25,000.00		29,500.00
12/29/2009	Larry	Harris li	100,000.00	25,000.00		54,500.00
12/29/2009	John	Benton	10,000.00	2,500.00		57,000.00

Re: TIN [REDACTED] IRS notice CP220, dated 4/26/2010, IRS Form 945 for 2009

The Arkansas Lottery Commission (ALC) is a new Agency of the State of Arkansas, whose sole purpose is to raise funds for student scholarships for higher education. ALC began selling lottery tickets on September 28, 2009. This is a new business to Arkansas and lottery operations are new to most of our employees, me included. We strive to perform ethical business practices and comply with all laws and regulations that affect our business operations.

Your notice CP220 has assessed ALC for penalties and interest in the amount of **\$4,297.10**. We assume this assessment was for alleged making untimely tax deposits. It is our belief, that we not only made timely deposits, but rather made our 945 deposits much more often and sooner than what is required by IRS regulations. Please review the attached schedule of Accumulated 945 Tax Liability and you will see our logic in making this statement. It is our practice to **ALWAYS** remit taxes to all taxing authorities early and more often than what is required. This is what we believe we have done with the 2009 945 deposits as well. As you can see on the attached schedule, our Accumulated Tax Liability has never exceeded \$100,000 and we were making our deposits assuming we are classified as a monthly depositor. We made our 945 deposits each week rather than by the 15<sup>th</sup> of the following month. Hence, in our view, we were making deposits much more often and much earlier than what was required.

**To resolve any future misunderstanding and to continue our practice of remitting taxes early and more often than what is required, effective May 1<sup>st</sup>, 2010 we will begin making DAILY 945 deposits.**

The 2009 form 945 was the first ever filed by the ALC or any of its staff. There was an error on this return that should be noted. On line 6 we checked the box that we were a semi-weekly filer and attached the supporting schedule 945-A. We should have checked the box as a monthly filer and not sent the supporting schedule 945-A. We apologize for this error and can file an amended return if necessary.

As stated in the first paragraph, our sole purpose is to provide scholarship funds for students. It was never our intent to not make timely deposits and believe we were making deposits earlier and more often than what was required. Any penalties or interest assessed for this situation will be a direct dollar for dollar reduction in scholarship funds and **therefore, we respectfully ask that the IRS waive the penalty and late fees assessed.**

Thank you for your consideration.



Department of the Treasury  
Internal Revenue Service  
OGDEN UT 84201-0039

For assistance, call:  
1-800-829-0115

Notice Number: CP220  
Date: April 26, 2010

Taxpayer Identification Number:

Tax Form: 945  
Tax Period: December 31, 2009

056416.718340.0201.005 1 AT 0.357 705  
|||

ARKANSAS LOTTERY COMMISSION  
ARKANSAS SCHOLARSHIP LOTTERY  
124 W CAPITOL AVE STE 1400  
LITTLE ROCK AR 72201-3736504

**Amount You Owe**  
**as of: May 17, 2010**  
**\$4,297.10**

6416

Statement of Adjustment to Your Account

Balance Due on Account Before Adjustment		\$12,984.89
Adjustment Computation		
Penalty Decrease - Federal Tax Deposit	\$7,204.50	
Penalty Decrease - Late Penalty Removed	\$920.00	
Reduction of Interest Previously Charged	\$563.29	
Net Adjustment Credit		\$8,687.79
Total Amount You Owe		\$4,297.10

What You Need to Do

Pay the amount you owe now by using one of the following methods. To avoid additional penalty and/or interest, we must receive your payment by May 17, 2010. The Electronic Federal Tax Payment System (EFTPS) is the preferred method to ensure your tax payments are on time and secure.

- **EFTPS**
  - If you are currently enrolled, go to [www.eftps.gov](http://www.eftps.gov) or call 1-800-555-4477.
  - To learn more about EFTPS and other electronic payment options, including credit card payments, visit [www.irs.gov](http://www.irs.gov) keyword: e-pay.
- **Check or Money Order**
  - Make your check or money order payable to the **United States Treasury**;
  - Write your taxpayer identification number, tax form number, tax period, and your phone number on your payment; and
  - Mail your payment with the payment voucher located at the bottom of this notice in the enclosed envelope.

## Cash Management Postings

Date	ID	Posted Transactions	Amount
Tax Postings			
12/28/09	<a href="#">307427</a>	IRS (Form 945) (posted by *TWILLIAMS; authorized by *PMILEY)	\$21250.00
12/21/09	<a href="#">304144</a>	IRS (Form 945) (posted by *PMILEY)	\$9910.00
12/14/09	<a href="#">299312</a>	IRS (Form 945) (posted by *PMILEY)	\$29250.00
12/7/09	<a href="#">295134</a>	IRS (Form 945) (posted by *PMILEY)	\$69724.00
11/23/09	<a href="#">287919</a>	IRS (Form 945) (posted by *PMILEY)	\$23250.00
11/17/09	<a href="#">284322</a>	IRS (Form 945) (posted by *PMILEY)	\$20002.00
11/6/09	<a href="#">279083</a>	IRS (Form 945) (posted by *PMILEY)	\$19444.00
10/30/09	<a href="#">275321</a>	IRS (Form 945) (posted by *PMILEY)	\$51222.00
10/23/09	<a href="#">271457</a>	IRS (Form 945) (posted by *PMILEY)	\$17222.00
10/16/09	<a href="#">268285</a>	IRS (Form 11C) (posted by *PMILEY)	\$35000.00
10/9/09	<a href="#">264044</a>	IRS (Form 945) (posted by *PMILEY)	\$18750.00
10/5/09	<a href="#">260798</a>	IRS (Form 945) (posted by *PMILEY)	\$11250.00

You can cancel any transaction before it is posted by clicking the 'Cancel Item' hyperlink next to that transaction. To cancel or modify a recurring payment, click the 'Set Up Payees' button inside the BillPay menu. To cancel a wire transfer, please contact the bank.



# 2009



Department of the Treasury  
Internal Revenue Service

## Instructions for Form 945

### Annual Return of Withheld Federal Income Tax

Section references are to the Internal Revenue Code unless otherwise noted.

#### What's New

**New employment tax adjustment process beginning in 2009.** If you discover an error on a previously filed Form 945, make the correction using new Form 945-X, Adjusted Annual Return of Withheld Federal Income Tax or Claim for Refund. Form 945-X is a stand-alone form, meaning taxpayers can file Form 945-X when an error is discovered. For more information, get the Instructions for Form 945-X or visit the IRS website at [www.irs.gov](http://www.irs.gov) and type "Correcting Employment Taxes" in the search box.

#### Reminders

**Additional information.** Pub. 15 (Circular E), Employer's Tax Guide, explains the rules for withholding, depositing, and reporting federal income tax. Pub. 15-A, Employer's Supplemental Tax Guide, includes information on federal income tax withholding from pensions, annuities, and Indian gaming profits. For information on withholding from gambling winnings, see the Instructions for Forms W-2G and 5754.

For a list of employment tax products, visit the IRS website at [www.irs.gov/businesses](http://www.irs.gov/businesses) and select "Employment Taxes" under the **Business Topics** heading.

**Electronic payment.** Now, more than ever before, businesses can enjoy the benefits of paying their federal taxes electronically. Whether you rely on a tax professional or handle your own taxes, IRS offers you convenient programs to make paying taxes easier. Spend less time and worry on taxes and more time running your business. Use Electronic Federal Tax Payment System (EFTPS) to your benefit.

For more information about EFTPS, visit [www.eftps.gov](http://www.eftps.gov) or call EFTPS Customer Service at 1-800-555-4477.

You may be required to use EFTPS. See *Electronic deposit requirement* on page 2.

**How to get forms and publications.** You can get most IRS forms and publications by accessing the IRS website at [www.irs.gov](http://www.irs.gov) or by calling the IRS at 1-800-TAX-FORM (1-800-829-3676).

**Telephone help.** You can call the IRS Business and Specialty Tax Line toll free at 1-800-829-4933 to order FTD coupons (Form 8109) and for answers to your questions about completing Form 945, tax deposit rules, or obtaining an employer identification number (EIN).

**Credit card payments.** Employers can pay the balance due shown on Form 945 by credit card. Do not use a credit card to make federal tax deposits. For more information on paying your taxes with a credit card, visit the IRS website at [www.irs.gov](http://www.irs.gov) click on the *IRS e-file* link. Then under "Electronic Payment Options", click on the *credit card* link.

#### Photographs of Missing Children

The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected by the Center may appear in instructions on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

#### General Instructions

**Purpose of form.** Use Form 945 to report withheld federal income tax from nonpayroll payments. **Nonpayroll payments** include:

- Pensions (including section 403(b) and governmental section 457(b) plan distributions), annuities, and IRA distributions;
- Military retirement;
- Gambling winnings;
- Indian gaming profits;
- Voluntary withholding on certain government payments; and
- Backup withholding.

Report all federal income tax withholding from nonpayroll payments or distributions annually on one Form 945. **Do not** file more than one Form 945 for any calendar year.

All federal income tax withholding reported on Forms 1099 (for example, Form 1099-R or 1099-MISC) or Form W-2G must be reported on Form 945. **Do not** report federal income tax withholding from wages on Form 945.

All employment taxes and federal income tax withholding reported on Form W-2, Wage and Tax Statement, must be reported on Form 941 or Form 944 (Form 943 for agricultural employees), Schedule H (Form 1040) for household employees, or Form CT-1 for railroad employees.

Do not report on Form 945 federal income tax withheld on distributions to participants from nonqualified pension plans (including **nongovernmental** section 457(b) plans) and some other deferred compensation arrangements that are treated as wages and are reported on Form W-2. Report such withholding on Form 941 or Form 944. See Pub. 15 (Circular E) for more information.

**Who must file.** If you withhold federal income tax (including backup withholding) from nonpayroll payments, you must file Form 945. See *Purpose of form* above. You do not have to file Form 945 for those years in which you do not have a nonpayroll tax liability. **Do not** report on Form 945 withholding that is required to be reported on Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons.

**Where to file.** In the list below, find the location of your legal residence, principal place of business, office, or agency. Send Form 945 to the address listed for your location.



Where you file depends on whether or not you are including a payment with the return.

If you are in ...	Without a payment ...	With a payment ...
Connecticut	New Jersey	Department of the Internal Revenue
Delaware	New York	Treasury Service
District of Columbia	North Carolina	Internal Revenue Service
Georgia	Ohio	Cincinnati, OH 45280-4524
Illinois	Pennsylvania	Cincinnati, OH 45280-4524
Indiana	Rhode Island	45999-0042
Kentucky	South Carolina	
Maine	Tennessee	
Maryland	Vermont	
Massachusetts	Virginia	
Michigan	West Virginia	
New Hampshire	Wisconsin	
Alabama	Missouri	Department of the Internal Revenue
Alaska	Montana	Treasury Service
Arizona	Nebraska	Internal Revenue Service
Arkansas	Nevada	P.O. Box 105153
California	New Mexico	Atlanta, GA 30348-5153
Colorado	North Dakota	Ogden, UT 84201-0042
Florida	Oklahoma	
Hawaii	Oregon	
Idaho	South Dakota	
Iowa	Texas	
Kansas	Utah	
Louisiana	Washington	
Minnesota	Wyoming	
Mississippi		

No legal residence or principal place of business in any state:	Internal Revenue Service P.O. Box 409101 Ogden, UT 84409	Internal Revenue Service P.O. Box 105288 Atlanta, GA 30348-5288
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If you are filing Form 945 for an exempt organization or government entity (federal, state, local, or Indian tribal government), use the following addresses, regardless of your location:	Department of the Treasury Internal Revenue Service Ogden, UT 84201-0042	Internal Revenue Service P.O. Box 105153 Atlanta, GA 30348-5153
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**When to file.** For 2009, file Form 945 by February 1, 2010. However, if you made deposits on time in full payment of the taxes for the year, you may file the return by February 10, 2010. Your return will be considered timely filed if it is properly addressed and mailed First-Class or sent by an IRS-designated private delivery service on or before the due date. See Pub. 15 (Circular E) for more information on IRS-designated private delivery services.

**Employer identification number (EIN).** If you do not have an EIN, you may apply for one online. Go to the IRS website at [www.irs.gov](http://www.irs.gov) and click on *Apply for an Employer Identification Number (EIN) Online*. You may also apply for an EIN by calling 1-800-829-4933, or you can fax or mail Form SS-4, Application for Employer Identification Number, to the IRS.

**Penalties and interest.** There are penalties for filing Form 945 late and for paying or depositing taxes late, unless there is reasonable cause. See section 11 of Pub. 15 (Circular E) for more information on deposit penalties. There are also penalties for failure to furnish information returns (for example, Forms 1099-MISC, 1099-R, or W-2G) to payees and failure to file copies with the IRS.

**CAUTION** If amounts that must be withheld are not withheld or are not deposited or paid to the United States Treasury, the **trust fund recovery penalty** may apply. The penalty is the full amount of any unpaid trust fund tax. This penalty may apply when these unpaid taxes cannot be immediately collected from the employer or business. The trust fund recovery penalty may be imposed on all

persons who are determined by the IRS to have been responsible for collecting, accounting for, and paying over these taxes, and who acted willfully in not doing so. "Willfully" in this case means voluntarily, consciously, and intentionally. A responsible person acts willfully if the person knows that the required actions are not taking place.

**Voluntary income tax withholding.** States must allow unemployment compensation recipients to elect to have federal income tax withheld at a 10% rate in 2010. Recipients paid under the Railroad Unemployment Insurance Act may also elect withholding at a 10% rate in 2010.

Recipients of any of the following federal payments may request federal income tax withholding in 2010 at a rate of 7%, 10%, 15%, or 25% on:

- Social security and Tier 1 railroad retirement benefits,
- Certain crop disaster payments, and
- Commodity Credit Corporation loans.

The payee may request withholding on Form W-4V, Voluntary Withholding Request, or you may develop your own substitute form. Any voluntary withholding on these payments must be reported on Form 945 (and on the required information return—Form 1099-G, Form SSA-1099, or Form RRB-1099) and is subject to the deposit rules.

## Depositing Withheld Taxes

Deposit all nonpayroll (Form 945) withheld federal income tax, including backup withholding, by using EFTPS or by depositing at an authorized institution using Form 8109, Federal Tax Deposit Coupon. Some taxpayers are required to use EFTPS to deposit their taxes (see *Electronic deposit requirement* below). Combine all Form 945 taxes for deposit purposes. **Do not** combine deposits for Forms 941, 943, 944, or Form CT-1 with deposits for Form 945. If you deposit using Form 8109, be sure to darken the space for Form "945" on Form 8109.

Generally, the deposit rules that apply to Form 941 also apply to Form 945. However, because Form 945 is an annual return, the rules for determining your deposit schedule (discussed below) are different from those for Form 941. See section 11 of Pub. 15 (Circular E) for a detailed discussion of the deposit rules.

**Determining your deposit schedule.** There are two deposit schedules—**monthly** or **semiweekly**—for determining when you must deposit withheld federal income tax. These schedules tell you when a deposit is due after a tax liability arises (that is, you make a payment subject to federal income tax withholding, including backup withholding). Before the beginning of each calendar year, you must determine which of the two deposit schedules you must use.

For 2010, you are a monthly schedule depositor for Form 945 if the total tax reported on your 2008 Form 945 (line 4) was \$50,000 or less. If the total tax reported for 2008 exceeded \$50,000, you are a semiweekly schedule depositor.

**CAUTION** If you are a monthly schedule depositor and accumulate a \$100,000 liability or more on any day during a calendar month, your deposit schedule changes on the next day to semiweekly for the remainder of the year and for the following year. For more information, see the \$100,000 Next-Day Deposit Rule in section 11 of Pub. 15 (Circular E).

**Electronic deposit requirement.** You must make electronic deposits of all depository taxes (such as employment tax, withheld income tax, excise tax, and corporate income tax) using EFTPS in 2010 if:

required to use EFTPS, you may participate voluntarily. To get more information or to enroll in EFTPS, visit the EFTPS website at [www.eftps.gov](http://www.eftps.gov) or call 1-800-555-4477.

## Specific Instructions

**State code.** If you made your deposits using Form 8109 or by using an EFTPS bank account in a state other than that shown in your address on Form 945, enter the state code for the state where you made deposits or initiated EFTPS transfers in the box provided in the upper left corner of Form 945. Use the two-letter United States Postal Service state abbreviation as the state code. Enter the code "MU" in the state code box if you deposit in more than one state. If you deposit in the **same state** as shown in your address, **do not** make an entry in this box.

**Line A—Final return.** If you go out of business or end operations and you will not have to file Form 945 in the future, file a final return. Be sure to check the box in line A and enter the date that final nonpayroll payments were made.

**Line 1—Federal income tax withheld.** Enter the federal income tax that you withheld (or were required to withhold) from pensions (including distributions from section 403(b) and governmental section 457(b) plans), annuities, IRA distributions, military retirement, Indian gaming profits, and gambling winnings (regular gambling withholding only). Also enter any voluntary amount that you withheld on certain government payments. If you are required to report federal income tax withholding on Forms 1099 (for example, Form 1099-R or Form W-2G), you must report the federal income tax withheld on Form 945.

**Note.** Federal income tax withholding reported on Form W-2 **must** be reported on Form 941, Form 943, Form 944, or Schedule H (Form 1040), as appropriate.

**Line 2—Backup withholding.** Enter any backup withholding, including backup withholding on gambling winnings.

Regulated investment companies (RICs) and real estate investment trusts (REITs) must report any backup withholding on Form 945 in the year that the dividends are actually paid. This includes January payments of dividends declared during October, November, and December of the prior year. See the Instructions for Form 1099-DIV for special reporting requirements.

**Line 3—Total taxes.** Add lines 1 and 2. If total taxes are \$2,500 or more, the amount reported on line 3 must equal the total liability for the year reported on line 7M of the Monthly Summary of Federal Tax Liability, or line M of Form 945-A.

**Line 4—Total deposits.** Enter your total Form 945 deposits for the year, including any overpayment applied from your 2008 return.

**Line 5 — Balance due.** You do not have to pay if line 5 is under \$1. Generally, you should have a balance due only if your total taxes for the year (line 3) are less than \$2,500. If you made payments under the accuracy of deposits rule, see section 11 of Pub. 15 (Circular E). Enter your EIN, "Form 945," and "2009" on your check or money order and make it payable to the "United States Treasury." If line 3 is \$2,500 or more and you deposited all taxes when due, the amount on line 5 should be zero. Complete Form 945-V,

penalty.

**Line 6 — Overpayment.** If you deposited more than the correct amount for the year, you can have the overpayment refunded or applied to your next return by checking the appropriate box. The IRS may apply your overpayment to any past due tax account under your EIN. If line 6 is under \$1, we will send a refund or apply it to your next return only on written request.

**Line 7 — Monthly Summary of Federal Tax Liability.**



*This is a summary of your monthly tax liability, **not** a summary of deposits made. If line 3 is less than \$2,500, **do not** complete line 7 or Form 945-A.*

Complete line 7 **only** if you were a **monthly schedule depositor** for the entire year and line 3 is \$2,500 or more. See *Determining your deposit schedule* on page 2.



*The amount entered on line 7M must equal the amount reported on line 3.*

Report your liabilities on Form 945-A instead of on line 7 if:

- You were a **semiweekly schedule depositor** during 2009. **Do not** complete entries A through M of line 7. Instead, complete and file Form 945-A with Form 945.
- You were a **monthly schedule depositor** for 2009 and during any month you accumulated nonpayroll taxes of \$100,000 or more. Because this converted you to a semiweekly schedule depositor for the remainder of 2009 (and for 2010), you must report your liabilities on Form 945-A for the entire year. **Do not** complete entries A through M of line 7. For more information, see the *\$100,000 Next-Day Deposit Rule* in section 11 of Pub. 15 (Circular E).

**Third-Party Designee.** If you want to allow any individual, corporation, firm, organization, or partnership to discuss your 2008 Form 945 with the IRS, check the "Yes" box in the Third-Party Designee section of Form 945. Also, enter the name, phone number, and any five numbers that the designee chooses as his or her personal identification number (PIN). The authorization applies only to the tax form upon which it appears.

By checking the "Yes" box, you are authorizing the IRS to speak with the designee to answer any questions relating to the information reported on your tax return. You are also authorizing the designee to:

- Exchange information concerning your tax return with the IRS and
- Request and receive written tax return information relating to your tax return including copies of specific notices, correspondence, and account transcripts.

You are not authorizing the designee to receive any refund check, bind you to anything (including additional tax liability), or otherwise represent you before the IRS. If you want to expand the designee's authorization or desire automatic issuances of copies of notices, see Pub. 947, *Practice Before the IRS and Power of Attorney*.

The Third-Party Designee authorization is substantially equivalent to Form 8821, Tax Information Authorization, but automatically expires one year from the due date (without regard to extensions) for filing your 2008 Form 945. If you or your designee desire to terminate the authorization, a written statement conveying your wish to revoke the authorization should be submitted to the IRS service center



where the return was processed. Use the address for *Where to file (without a payment)* in the chart on page 2.

**Who must sign.** Form 945 must be signed as follows:

- **Sole proprietorship** — The individual who owns the business.
- **Corporation** (including an LLC treated as a corporation) — The president, vice president, or other principal officer duly authorized to sign.
- **Partnership** (including an LLC treated as a partnership) **or unincorporated organization** — A responsible and duly authorized member or officer having knowledge of its affairs.
- **Single member limited liability company (LLC) treated as a disregarded entity** — The owner of the limited liability company (LLC).
- **Trust or estate** — The fiduciary.

Form 945 may also be signed by a duly authorized agent of the taxpayer if a valid power of attorney has been filed.

**Alternative signature method.** Corporate officers or duly authorized agents may sign Form 945 by rubber stamp, mechanical device, or computer software program. For details and required documentation, see Rev. Proc. 2005-39. You can find Rev. Proc. 2005-39 on page 82 of Internal Revenue Bulletin 2005-28 at [www.irs.gov/pub/irs-irbs/irb05-28.pdf](http://www.irs.gov/pub/irs-irbs/irb05-28.pdf).

**Paid preparers.** A paid preparer must sign Form 945 and provide the information in the "Paid Preparer's Use Only" section if the preparer was paid to prepare Form 945 and is not an employee of the filing entity. Paid preparers must sign paper returns with a manual signature. The preparer must give you a copy of the return in addition to the copy to be filed with the IRS.

If you are a paid preparer, write your SSN or your Preparer Tax Identification Number (PTIN) in the space provided. If you work for a firm, also write the firm's name and the EIN of the firm. You can apply for a PTIN using Form W-7P, Application for Preparer Tax Identification Number. You cannot use your PTIN in place of the EIN of the tax preparation firm.

Generally, do not complete this section if you are filing the return as a reporting agent and have a valid Form 8655, Reporting Agent Authorization, on file with the IRS. However, a reporting agent must complete this section if the reporting agent offered legal advice, for example, advising the client on determining whether federal income tax withholding is required on certain payments.

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**Privacy Act and Paperwork Reduction Act Notice.** We ask for the information on Form 945 to carry out the Internal Revenue laws of the United States. We need it to figure and

collect the right amount of tax. Sections 3402, 3405, and 3406 of the Internal Revenue Code require taxpayers to pay over to the IRS federal income tax withheld from certain nonpayroll payments and distributions, including backup withholding. Form 945 is used to determine the amount of the taxes that you owe. Section 6011 requires you to provide the requested information if the tax applies to you. Section 6109 requires filers and return preparers to provide their identification numbers. Failure to provide this information in a timely manner may subject you to penalties and interest.

You do not have to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law.

Generally, tax returns and return information are confidential, as required by section 6103. However, section 6103 allows or requires the Internal Revenue Service to disclose or give the information shown on your tax return to others described in the Code. For example, we may disclose your tax information to the Department of Justice for civil and criminal litigation, and to cities, states, the District of Columbia, and U.S. commonwealths and possessions to administer their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

The time needed to complete and file Form 945 will vary depending on individual circumstances. The estimated average time is: **Recordkeeping**, 7 hr., 9 min.; **Learning about the law or the form**, 47 min.; and **Preparing and sending the form to the IRS**, 56 min. If you have comments concerning the accuracy of these time estimates or suggestions for making Form 945 simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. **Do not** send Form 945 to this address. Instead, see *Where to file* on page 2.

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