

CITY COUNCIL**The City of Orange Township, New Jersey**DATE December 29, 2020NUMBER 478-2020**TITLE: A RESOLUTION AUTHORIZING THE PAYMENT OF DELINQUENT TAXES AND PENALTIES ASSESSED BY THE INTERNAL REVENUE SERVICE FOR CALENDAR YEAR 2017**

WHEREAS, the City of Orange Township received Notices of Proposed Adjustments from the Internal Revenue Service based on an audit it conducted for IRS Form 941 and IRS Form 945 filed for CY 2017 by the City of Orange Township; and

WHEREAS, the Internal Revenue Service determined that there were certain deficiencies in the filing of IRS Form 941 and IRS Form 945; and

WHEREAS, the Internal Revenue Service identified wage settlements made between the City of Orange Township and former employees that were not reported on the former employees' W-2 forms and certain required deductions were not withheld or deducted from compensation settlements; and

WHEREAS, the Internal Revenue Service also identified several vendors who should have received Form 1099-MISC but did not, and also that required backup withholdings were neither deducted nor remitted to the Internal Revenue Service for non-employee compensation; and

WHEREAS, the City of Orange Township cooperated fully with the Internal Revenue Service and was able to successfully negotiate down the original proposed tax by \$150,000 and reached a settlement for Backup Withholdings, Medicare taxes, and Civil Penalties in the amount of \$130,540.69:

<u>Final Per IRS</u>			
<u>Matter</u>	<u>Tax Increase</u>	<u>Penalty</u>	<u>Total Due</u>
2017 Form 941	\$ 50,182.44	\$10,036.48	\$ 60,218.92
2017 Form 945	\$ 34,279.84	\$13,711.93	\$ 47,991.77
Subtotal	\$ 84,462.28	\$23,748.41	\$108,210.69
Less Abatement Granted			\$ (11,470.00)
Subtotal Due From City			\$ 96,740.69
Civil Penalty on Failure to File Form 1099			\$ 33,800.00
Total Amount Due to IRS for 2017 Audit			\$130,540.69

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Orange Township, in the County of Essex, State of New Jersey, that Chief Financial Officer Nile Clements is hereby authorized to remit the amount of \$130,540.69 to the Internal Revenue Service in full settlement of the CY 2017 audit.

Adopted: December 29, 2020

Joyce L. Lanier
City Clerk

Kerry J. Coley
Council President

Summary of Employment Tax Examination

Name and Address of Employer CITY OF ORANGE 25 NORTH DAY STREET ORANGE NJ 07050			Type of Report <input checked="" type="checkbox"/> Delinquent tax (Return not filed) <input type="checkbox"/> Increase (Decrease) in tax (Return filed)
Employer Identification Number 22-6002178			<input checked="" type="checkbox"/> Agreed (This report is subject to review and you will be notified by the Director when it is accepted) <input type="checkbox"/> Unagreed
Date of Report December 8, 2020		<input checked="" type="checkbox"/> Non-7436 adjustments <input type="checkbox"/> 7436 adjustments (worker classification issues) <input type="checkbox"/> 7436 adjustments (wage issues)	

Following is a summary of the results of my examination of your returns as shown on the attached pages of this report.

Tax, Credits and Penalties							
a Calendar Year	b Return Form Number	c Delinquent Tax, Increase (Decrease) in Tax	d Increase (Decrease) in Allowed Credits	e Penalty		f Total Adjustment and Penalties (c+d+e)	g Page number of Report
				Code Section	Amount		
2017	941	50,182.44	-	6662	10,036.48	60,218.92	
2017	945	34,279.84		6651	13,711.93	47,991.77	
Total		84,462.28			23,748.41	108,210.69	

Other Information

The examination of your employment tax returns as reflected on this Agreement did not include an examination for employment tax purposes of whether any individuals should be treated as your employees for purposes of Section 530 of the Revenue Act of 1978 as amended by Section 1122 of the Small Business Job Protection Act of 1996.

This does not constitute an income tax examination.

This report reflects the agreed total income tax under IRC 3402 (including applicable assessments of IRC 3406, Backup Withholding), without consideration of any abatements provided by the taxpayer on Forms 4669, Forms 4869, Statement of Payments Received, have been provided by the taxpayer to abate all or part of the total income/backup withholding tax assessment per the abatement procedures of IRC 3402(d). A credit for this tax abatement is shown as a credit memo on the Form 2504 agreement. A listing of all payments and the abatements allowed in the examination are attached to this report.

Examining Name KEVIN P. MACKESEY	Area 1000730100 MID-ATLANTIC
Form 4866 (Rev. 10-2017)	Catalog Number 41874S publish.no.irs.gov Department of the Treasury - Internal Revenue Service

Agreement to Assessment and Collection of Additional Tax and Acceptance of Overassessment

(Employment Tax Adjustments Not Subject to IRC 7436;
Worker Classification or Section 530 Issues Not Addressed in this Exam)

Date received by Internal Revenue Service

Taxpayer(s) name CITY OF ORANGE		D/B/A		SSN/EIN 22-6002178	
Address of taxpayer(s) (number, street) 25 NORTH DAY STREET		City/Town ORANGE	State NJ	ZIP code 07050	

Adjustment to Tax, Credits and Penalties

Tax Period Ended	Return Form number	Kind of Tax and Internal Revenue Code Section	Amount of Tax	Credit Increase (Decrease)	Penalty
03/31/2017 - 12/31/2017	941	FICA & FITW IRC 3101, 3111 & 3402	\$ 50,182.44	-	\$ 10,036.48
2017	945	Backup W/H IRC 3406	\$ 34,279.84	-	\$ 13,711.93
		Total	84,462.28	0.00	23,748.41

I consent to the immediate assessment (*Increase in tax and penalties and/or decrease in credits*) and the collection of any such amounts. In addition, I accept any overassessment (*decrease in tax and penalties and/or increase in credits*) shown above. I also agree to any interest as provided by law.

Sign Here	Date:
Sign Here	Date:
X Sign By Here	Title: Date:

Note:
If you consent to the assessment of the amounts shown in this agreement, your signature will expedite our adjustment to your account. Your consent will not prevent you from filing a claim for refund (after you have paid the tax) if you later believe you are entitled to a refund. It will not prevent us from later determining, if necessary, that you owe additional tax; nor extend the time provided by law for either action.

The examination of your employment tax returns as reflected on this agreement did not include an examination for employment tax purposes of whether any individuals should be treated as employees.

Who Must Sign

If you are making this agreement for a partnership, all partners must sign. However, one partner may sign with appropriate evidence of authorization to act for the partnership.

For a corporation, enter the name of the corporation followed by the signature and title of the officer(s) authorized to sign.

For an agent or attorney acting under a power of attorney, a power of attorney form must be sent with this form if not previously filed with us.

Memo: Abatement amount under IRC 3402(d) and/or IRC 3102(f)(3) - See explanation on Form 4666

Tax Period Ended	Return Form Number	IRC Code	Credit for Abatement	Tax Period Ended	Return Form Number	IRC Code	Credit for Abatement
2017	945	3402(d)	\$ 11,470.09				

Form **5701**
(October 2016)

Department of the Treasury - Internal Revenue Service

Notice of Proposed Adjustment

Name of taxpayer City of Orange (XX-XXX2187)	Issue number Civil Penalty
Name and title of person to whom delivered Adrian Mapp, Director of Finance & Debra Golle, CPA	Date 10/22/2020
Entity for this proposed adjustment	Response due 11/19/2020

Based on the information we now have available and our discussions with you, we believe the proposed adjustment listed below should be included in the revenue agent's report. However, if you have additional information that would alter or reverse this proposal, please furnish this information as soon as possible.

Years	Amount	Account or Return Line	SAIN Number	Issue Code
2017	\$33,800	Civil Penalty under I.R.C sections 6721(a) & 6722(a)		

Reasons for proposed adjustment (if the explanation of the adjustment will be longer than the space provided below, the entire explanation should begin on Form 886-A (explanation of items))

At issue here is whether the taxpayer is liable for penalties under I.R.C. sections 6721, Failure to File Correct Information Returns, and 6722, Failure to Furnish Correct Payee Statements, on Forms 1099-MISC that were not filed and provided timely. The enclosed Form 886-A, Explanation of Items, explains the amount of the penalty and why it is being charged.

If you agree with the penalty please indicate below and return this form to Kevin Mackesey with the full payment. If you don't agree please indicate below and return the form to Kevin Mackesey or you may call him at (302) 752-9194. If you disagree, you'll have the opportunity to appeal the penalty after we send you a formal request for payment.

Taxpayer's/Representative's action

Agreed Agreed in part Disagreed Have additional information; will submit by _____

Taxpayer's/Representative's signature

Date

If disagreed in part or in full - check here for consideration of Fast Track Settlement

Taxpayer IRS

Team Manager

Valerie Hardeman Manager:TEGE:EOGE:FSL:7250

Valerie B. Hardeman

Digitally signed by Valerie B.
Hardeman
Date: 2020.10.21 11:06:20 -04'00'

Date

10/21/2020

Catalog Number 42770J

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Form **5701** (Rev. 10-2016)

Part 1 - Taxpayer's File Copy