

September 23, 2009

**ALERT: IRS notifications regarding 2007 federal unemployment taxes
sent out due to Kansas Dept. of Labor system error –
DO NOT PAY assessment!**

Recently, a number of AGH clients have received an unusual notice from the IRS regarding 2007 federal unemployment taxes, Form 940. The letter number referenced is LTR4010C for the tax period 200712. The notice proposes a tax increase because of information received from the State of Kansas Department of Labor (Ks. DOL). Researching this issue, AGH's outsourcing services department has determined the proposed increase was due to an issue with 4th-quarter 2007 Kansas unemployment taxable wages and taxes.

The Ks. DOL has informed AGH that **due to "system error," the DOL failed to report ALL Kansas employer 4th-quarter 2007 unemployment taxable wage and tax information to the IRS. Accordingly, ALL companies reporting 4th-quarter Kansas unemployment taxable wages will likely receive this IRS notice. Companies should NOT pay this assessment!** The Ks. DOL is working with the IRS to resolve the issue, but has not been successful to date.

Companies who receive this notification should take the following steps to correct the issue with the IRS:

1. With your federal tax ID number and state unemployment account number available, contact Ronda Dieker at the Ks. DOL, the only person assigned to resolving this issue, at (785) 368-8313 or ronda.dieker@dol.ks.gov.
2. Request a 940 recertification.
3. Have the recertification faxed or mailed back to your business.
4. Send the recertification from Kansas, a copy of the original IRS notice, and an explanatory cover letter to the address below. (AGH is preparing a sample cover letter.)
 - Department of the Treasury (1-800-829-0115)
Internal Revenue Service
Cincinnati, OH 67219-1101

The Ks. DOL informed AGH that it will take at least 3-5 business days to receive the 940 recertification once it has been requested. If you have further questions about this IRS notification, please contact AGH payroll supervisor Sonja Morris at (316) 267-7231 or sonja.morris@aghlc.com.

NOTE: Pursuant to federal regulations imposed on practitioners who render tax advice ("Circular 230"), we are required to inform you that any discussion of tax matters contained herein is not intended or written to be tax advice, and cannot be relied upon as such, nor can it be used for the purpose of: (i) avoiding tax penalties that may be imposed by the IRS or states, or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein. If you seek definitive tax advice on a matter, please request a written tax memorandum from your AGH tax advisor.