



March 19, 2013

To Our Clients:

As a part of our responsibility in keeping you updated on current developments, we wanted to make sure you are aware of the attached information concerning possible IRS audits of tipped employees. It has been brought to our attention the IRS is concentrating on Tip Reporting in relation to audits. We have assisted several clients in Tip Reporting Audits recently.

As a reminder, you are required to report tips received by your employees each pay period. We have included a copy of the Pinnacle Payroll Tip Reporting Form as well as a copy of the IRS Publication 1244, which also included a Tip Reporting Form. You may choose which form you would like to use; however, you should be using one of them to protect yourself and your employees.

Payroll Tip Reporting Form

(please submit with payroll)

Client Name:						

For the Week(s) Ending: _____

Location #	Name	Social Security #	Cash Tips Received	Credit Card Tips Received	Tips Paid Out	Total Tips Received

Signature: _____ Date: _____

Location #	Name	Social Security #	Cash Tips Received	Credit Card Tips Received	Tips Paid Out	Total Tips Received

Signature: _____ Date: _____

Location #	Name	Social Security #	Cash Tips Received	Credit Card Tips Received	Tips Paid Out	Total Tips Received

Signature: _____ Date: _____

Location #	Name	Social Security #	Cash Tips Received	Credit Card Tips Received	Tips Paid Out	Total Tips Received

Signature: _____ Date: _____

Location #	Name	Social Security #	Cash Tips Received	Credit Card Tips Received	Tips Paid Out	Total Tips Received

Signature: _____ Date: _____



Publication 1244

(Rev. August 2005)

Employee's Daily Record of Tips and Report to Employer

This publication contains:

Form 4070A, Employee's Daily Record of
Tips

Form 4070, Employee's Report of Tips to
Employer

For the period
beginning....., and
ending.....,

Name and address of employee

Instructions

You must keep sufficient proof to show the amount of your tip income for the year. A daily record of your tip income is considered sufficient proof. Keep a daily record for each workday showing the amount of cash and credit card tips received directly from customers or other employees. Also keep a record of the amount of tips, if any, you paid to other employees through tip sharing, tip pooling or other arrangements, and the names of employees to whom you paid tips. Show the date that each entry is made. This date should be on or near the date you received the tip income. You may use Form 4070A, Employee's Daily Record of Tips, or any other daily record to record your tips.

Reporting tips to your employer. If you receive tips that total \$20 or more for any month while working for one employer, you must report the tips to your employer. Tips include cash left by customers, tips customers add to debit or credit card charges, and tips you receive from other employees. You must report your tips for any one month by the 10th of the month after the month you receive the tips. If the 10th day falls on a Saturday, Sunday, or legal holiday, you may give the report to your employer on the next business day that is not a Saturday, Sunday, or legal holiday.

You must report tips that total \$20 or more every month regardless of your total wages and tips for the year. You may use Form 4070, Employee's Report of Tips to Employer, to report your tips to your employer. See the instructions on the back of Form 4070.

You must include all tips, including tips not reported to your employer, as wages on your income tax return. You may use the last page of this publication to total your tips for the year.

Your employer must withhold income, social security, and Medicare (or railroad retirement) taxes on tips you report. Your employer usually deducts the withholding due on tips from your regular wages.

(continued on inside of back cover)

Employee's Daily Record of Tips

This is a voluntary form provided for your convenience.
See instructions for records you must keep.

OMB No. 1545-0074

Employee's name and address			Employer's name		Month and year
			Establishment name (if different)		
Date tips rec'd	Date of entry	a. Tips received directly from customers and other employees	b. Credit and debit card tips received	c. Tips paid out to other employees	d. Names of employees to whom you paid tips
1					
2					
3					
4					
5					
Subtotals					

For Paperwork Reduction Act Notice, see Instructions on the back of Form 4070.

Page 1

Date tips rec'd	Date of entry	a. Tips received directly from customers and other employees	b. Credit and debit card tips received	c. Tips paid out to other employees	d. Names of employees to whom you paid tips
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
Subtotals					

Date tips rec'd	Date of entry	a. Tips received directly from customers and other employees	b. Credit and debit card tips received	c. Tips paid out to other employees	d. Names of employees to whom you paid tips
16					
17					
18					
19					
20					
21					
22					
23					
24					
25					
Subtotals					

Date tips rec'd	Date of entry	a. Tips received directly from customers and other employees	b. Credit and debit card tips received	c. Tips paid out to other employees	d. Names of employees to whom you paid tips
26					
27					
28					
29					
30					
31					
Subtotals from pages 1, 2, and 3					
Totals					

1. Report total cash tips (col. **a**) on Form 4070, line **1**.
2. Report total credit and debit card tips (col. **b**) on Form 4070, line **2**.
3. Report total tips paid out (col. **c**) on Form 4070, line **3**.

**Employee's Report
of Tips to Employer**

Employee's name and address	Social security number
Employer's name and address (include establishment name, if different)	1 Cash tips received 2 Credit and debit card tips received 3 Tips paid out
Month or shorter period in which tips were received from _____, _____, to _____,	4 Net tips (lines 1 + 2 - 3)
Signature	Date

For Paperwork Reduction Act Notice, see the instructions on the
back of this form.

Cat. No. 41320P

Form **4070** (Rev. 8-2005)

Purpose. Use this form to report tips you receive to your employer. This includes cash tips, tips you receive from other employees, and debit and credit card tips. You must report tips every month regardless of your total wages and tips for the year. However, you do not have to report tips to your employer for any month you received less than \$20 in tips while working for that employer.

Report tips by the 10th day of the month following the month that you receive them. If the 10th day is a Saturday, Sunday, or legal holiday, report tips by the next day that is not a Saturday, Sunday, or legal holiday.

See Pub. 531, Reporting Tip Income, for more details.

You can get additional copies of Pub. 1244, Employee's Daily Record of Tips and Report to Employer, which contains both Forms 4070A and 4070, by calling 1-800-TAX-FORM (1-800-829-3676) or by downloading the pub from the IRS website at www.irs.gov.

Paperwork Reduction Act Notice. We ask for the information on these forms to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required 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 Code section 6103.

The average time and expenses required to complete and file this form will vary depending on individual circumstances. For the estimated averages, see the instructions for your income tax return.

If you have suggestions for making this form simpler, we would be happy to hear from you. See the instructions for your income tax return.

Instructions (continued)

Unreported Tips. If you received tips of \$20 or more for any month while working for one employer but did not report them to your employer, you must figure and pay social security and Medicare taxes on the unreported tips when you file your tax return. If you have unreported tips, you must use Form 1040 and Form 4137, Social Security and Medicare Tax on Unreported Tip Income, to report them. You may not use Form 1040A or 1040EZ. Employees subject to the Railroad Retirement Tax Act cannot use Form 4137 to pay railroad retirement tax on unreported tips. To get railroad retirement credit, you must report tips to your employer.

If you do not report tips to your employer as required, you may be charged a penalty of 50% of the social security and Medicare taxes (or railroad retirement tax) due on the unreported tips unless there was reasonable cause for not reporting them.

Additional Information. Get Pub. 531, Reporting Tip Income, and Form 4137 for more information on tips. If you are an employee of certain large food or beverage establishments, see Pub. 531 for tip allocation rules.

Recordkeeping. If you do not keep a daily record of tips, you must keep other reliable proof of the tip income you received. This proof includes copies of restaurant bills and credit card charges that show amounts customers added as tips.

Keep your tip income records for as long as the information on them may be needed in the administration of any Internal Revenue law.

Instructions (continued)

Use this space to total your tips for the year



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