

Welcome to our Twenty Fourth Edition of Pay-Net's E-Newsletter. Previous editions of our E-Newsletter are available on our web site, www.pay-net.net, under the "Employer Resources – Newsletter" section. We want to welcome all of our new clients that started processing with us this month. Our E-Newsletter is published about 10 times per year. If any other people in your organization would like a copy of our E-Newsletter, please send an email request to: enews@pay-net.net

Please Keep Your E-Mail Addresses Current When you have personnel changes, remember to send us any e-mail address changes. You can send these to email@pay-net.net. This way our list will remain current.

Pay-Net E-Mail Addresses: If you need to communicate with us, we recommend that you send us an email. This practice will provide you, and us, a hard copy of the communication. Here are Pay-Net's current email accounts.

Wayne Lee (Owner):	wayne@pay-net.net
Hollis (Operations):	hlee@pay-net.net
Gloria (Operations):	gbal@pay-net.net
Christina (Operations):	cjackson@pay-net.net
Dan (Operations):	danr@pay-net.net
Anna (Taxes):	atudor@pay-net.net
Bruce (Technical):	bsims@pay-net.net
General Communication:	operations@pay-net.net (this will be forwarded to the appropriate person)
Debbie (Sales):	dwillett@pay-net.net

Of course, if you need to talk with us immediately, we do answer the phones with *live* people, not voice mail. If you happen to get into our voice mail system, be assured that all of us are on the phone when you called.

Pay-Net web site: We have completely changed our web site: www.pay-net.net. If you have the opportunity, please visit the site and let us know what you think about it. Send your responses to website@pay-net.net. The information is identical as before, we have just placed it in different categories and had a professional design team help with the development. Now, we have a special section for our clients called "Employer Resources" that contain all the information you need to assist your company.

"Challenging" Payroll Dates: Please take notice of the following dates as you prepare your payroll information, especially since we are entering months with several banking holidays:

► **Monday, February 20th is a banking holiday – President's Day. If you normally date your checks for the 20th, your check date probably rolled back to Friday, February 17th. If you normally date your checks for the 20th and you have direct deposit, we will need your payroll information by 2:00 pm on Wednesday, February 15th. If you want to change your check date to February 21st, please contact Pay-Net. Please note that Pay-Net will be open on Monday, February 20th.**

- ▶ February 28th is the end of the month and it occurs on a Tuesday. If you normally date your checks for the end of the month and you have direct deposit, we will need your payroll information by 2:00 pm on Friday, February 24th.
- ▶ March 5th is on Sunday. If you normally date your checks for the 5th, your check date probably rolled back to Friday, March 3rd. If you normally date your checks for the 5th and you have direct deposit, we will need your payroll information by 2:00 pm on Wednesday, March 1st.
- ▶ March 20th is on Monday. If you normally date your checks for the 20th and you have direct deposit, we will need your payroll information by 2:00 pm on Thursday, March 16th.
- ▶ April 1st is on Saturday. If you normally date your checks for the 1st of the month, your check date probably rolled back to Friday, March 31st. If you normally date your checks for the 1st and you have direct deposit, we will need your payroll information by 2:00 pm on Wednesday, March 29th.
- ▶ April 15th is on Saturday. If you normally date your checks for the 15th of the month, your check date probably rolled back to Friday, April 14th. If you normally date your checks for the 15th and you have direct deposit, we will need your payroll information by 2:00 pm on Wednesday, April 12th.
- ▶ April 30th is on Sunday. If you normally date your checks for the End of the Month, your check date probably rolled back to Friday, April 28th. If you normally date your checks for the End of the Month and you have direct deposit, we will need your payroll information by 2:00 pm on Wednesday, April 26th.
- ▶ May 1st is on Monday. If you normally date your checks for the 1st and you have direct deposit, we will need your payroll information by 2:00 pm on Thursday, April 27th.

Payroll News for January: There is little news from the payroll front for January. This is not unusual since all payroll personnel, including the IRS and EDD are busy this month. However, there are a few items of note:

IRS Proposal Includes Penalty for Uneven FSA Contributions: If your company has an F.S.A. or H.S.A. (Flexible Spending Account, or Health Spending Account), the IRS has a new proposed rule that can affect you. According to the proposed rule:

“If an employer fails to make comparable contributions to the HSAs of its employees during a calendar year, an excise tax equal to 35 percent of the aggregate amount contributed by the employer to the HSAs of its employees during that calendar year is imposed on the employer”

In other words, if an employer makes contributions to any employee’s F.S.A. or H.S.A. account, the employer must make equal contribution to the H.S.A.s of all participating employees!

2006 Tax Changes: As the various Federal and State agencies release information for 2006, we will post them in this E-Newsletter. So far, we have received:

- ▶ 2006 Social Security: The wage limit for Social Security will be increased from \$90,000 to \$94,200. The employee rate of 6.2% will remain unchanged. The maximum Social Security tax withheld from employees will be \$ 5,840.40.

- ▶ 2006 Medicare: There will be no change in Medicare tax withheld for next year. The employee rate of 1.45% of all wages will remain in effect.
- ▶ 401(k) Limit: The 2006 limit for employee 401(k) deductions will raise from \$14,000 per year to \$15,000.
- ▶ 401(k) Catch-up Limit: The 2006 limit will be raised to \$5,000 from the \$4,000 limit in 2005.
- ▶ SIMPLE IRA deductions: The \$10,000 limit will remain unchanged from 2005.
- ▶ The qualified transportation fringe benefit amount for parking in 2006 increases to \$205 per month, up from \$200 per month in 2005, while the transit pass exclusion will remain at \$105 per month.
- ▶ California's SDI rate will rise to 0.8% but the taxable wage base will stay the same as 2005 at \$79,418.00, for a total employee deduction of \$635.34.
- ▶ California's SUI wage base will remain at \$7,000 for 2006.
- ▶ The following states have increased their SUI wage base for 2006: Alaska (\$28,700), Illinois (\$11,000), Iowa (\$21,300), Idaho (\$29,200), Minnesota (\$24,000), Montana (\$21,600), Nebraska (\$8,000), Nevada (\$24,000), New Jersey (\$25,800), New Mexico (\$17,900), North Carolina (\$17,300), North Dakota (\$20,300), Oregon (\$28,000), Utah (\$24,000), Washington (\$30,900) and Wyoming (\$17,100).
- ▶ Standard Business Mileage Rate will *reduce* to 44.5 cents per mile effective 01/01/2006, down from the 48.5 cents per mile for 2005. The mileage rate for medical or moving purposes will be 18 cents per mile for 2006. And, the charitable organization mileage rate will be 14 cents.

2006 Holiday Schedule: The following remaining holidays are in effect for 2006. The official "bank holidays" are marked with an "*"

- ▶ * Monday, February 20, 2006 – President's Day
- ▶ * Monday, May 29, 2006 – Memorial Day – Pay-Net will be closed
- ▶ * Tuesday, July 4, 2006 – Independence Day – Pay-Net will be closed
- ▶ * Monday, September 4, 2006 – Labor Day – Pay-Net will be closed
- ▶ * Monday, October 9, 2006 – Columbus Day
- ▶ * Thursday, November 23, 2006 – Thanksgiving Day – Pay-Net will be closed
- ▶ Friday, November 24, 2006 – Day after Thanksgiving – Pay-Net will be closed
- ▶ * Monday, December 25, 2006 – Christmas Day – Pay-Net will be closed
- ▶ * Monday, January 1, 2006 – New Year's Day – Pay-Net will be closed

Fringe Benefit Publication 15-B for 2006 Released: The updated Publication 15-B, Employer's Tax Guide to Fringe Benefits, has been released electronically by the Internal Revenue Service. The publication now includes changes made for 2006, including the reduced standard mileage rate and the increased parking exclusion amount.

An informational version of the 2006 Form W-2, Wage and Tax Statement, also has been released. An Adobe® pdf format version of Publication 15-B is available on IRS's Web site

USPS Increase Rates: As I am sure you are aware, effective January 8, 2006, the United States Postal Service increased first class rates to a base of \$0.39 (up from \$0.37) for 1 ounce, and \$0.24 per ounce above 1 ounce (up from \$0.23). As a result, if you receive your payroll by mail, you may see a slight increase.

Minimum Wage Increase for California? Governor Schwarzenegger has proposed a \$1.00 increase in the minimum wage over 18 months. Under his plan, the current minimum wage of

\$6.75 per hour would increase to \$7.25 per hour in September 2006, and to \$7.75 per hour in July, 2007.

Meal Break Regulations: Due to public input, the California Division of Labor Standards will re-examine the regulations on lunch breaks for workers. Currently, the regulations specify a 30 minute meal break after the fifth hour worked. The Division of Labor Standards proposed regulations would require a 30 minute meal break prior to, and including, five hours on the job. The Division of Labor Standards will solicit input from the public prior to making a decision on implementing, or changing, the new regulations.

Increases in Minimum Wage: The minimum wage for Maryland will increase from \$5.15 to \$6.15 per hour effective February 16, 2006. A proposal to increase the minimum wage for New Mexico from \$5.15 to \$7.50 per hour over a three year period has been proposed by the governor. A proposal to increase the minimum wage for South Dakota from \$5.15 to \$6.00 has been proposed by this state's governor. And finally, the governor of Pennsylvania has proposed an increase in the minimum wage to \$6.25 per hour this year, and \$7.15 per hour in 2007.



A Note from Wayne

It's hard to believe that another year-end has come and gone. This marks my 20th year-end in the payroll business, and they never seem to get any easier! I want to thank you, our valued clients, for bearing with us this month and allowing us to get all the work done in an amazing short time period. Over 95% of the year-end work was completed and delivered to our clients before January 20th.

And Pay-Net could not have done it without such a dedicated staff and an understanding client base. And, I thank all of you for that.

A handwritten signature in black ink, appearing to read "Wayne". The signature is written in a cursive, flowing style.