

Welcome to our Twenty Seventh 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: operations@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. This summer promises to have a lot of challenging days for payroll people!

► **June 30th marks the end of the Second Quarter.** Any payroll adjustments that you want reflected in your Second Quarter payroll reports must be reported to us on, or before, Thursday, June 29th. You can expect delivery of your quarterly returns on, or before, July 20th.

- ▶ July 1st is on a Saturday, so your check date has rolled backwards to Friday, June 30th. If you normally date your checks on the 1st and you have direct deposit, we will need your payroll information by 2:00 pm on Wednesday, June 28th.
- ▶ **Tuesday, July 4th, is Independence Day. This is a national holiday and a non-banking day. Pay-Net will be closed that day. Please take this into account as you prepare your payroll information.**
- ▶ If you would normally date your checks on Tuesday, July 4th, your check date will roll back to Monday, July 3rd. If this is the case, and you have direct deposit, we will need your payroll information by 2:00 pm on Thursday, June 29th. If, however, you would like your check date to roll forward to July 5th, please call us to change your calendar.
- ▶ Because of the holiday, if you normally date your checks on the 5th and you have direct deposit, we will need your payroll information by 2:00 pm on Friday, June 30th.
- ▶ Because of the holiday, if you normally would date your checks on Thursday, July 6th, and you have direct deposit, we will need your payroll information by 2:00 pm on Monday, July 3rd.
- ▶ July 15th falls on Saturday. If you normally date your checks on the 15th, the system will roll your check date back to July 14th. And, if you have direct deposit, we will need your payroll information by 2:00 pm on Wednesday, July 12th.
- ▶ July 31st falls on Monday. If you normally date your checks for the end of a month and you have direct deposit, we will need your payroll information by 2:00 pm on Thursday, July 27th.
- ▶ August 1st falls on Tuesday. 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 Friday, July 28th.
- ▶ August 5th falls on Saturday. If you normally date your checks for the 5th, the system will roll your check date back to August 4th. If you have direct deposit, we will need your payroll information by 2:00 pm on Wednesday, August 2nd.
- ▶ August 15th falls on Tuesday. 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 Friday, August 11th.
- ▶ August 20th falls on Sunday. If you normally date your checks for the 20th, the system will roll your check date back to Friday, August 18th. If you have direct deposit, we will need your payroll information by 2:00 pm on Wednesday, August 16th. If you would like your check date rolled forward to Monday, August 21st, please call us.
- ▶ **Monday, September 4th is the Labor Day Holiday. This is a national holiday and a non-banking day. Pay-Net will be closed that day. Please take this into account as you prepare your payroll information. This will especially present problems for clients that normally date checks on the 5th of a month.**

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

- ▶ * 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, 2007 – New Year’s Day – Pay-Net will be closed

Electronic Employment Verification: Under a Senate proposal, employers would be required to electronically submit new hire’s names, Social Security numbers, and/or other identification numbers directly to a nationwide online database within 3 days of hire. The Electronic Employment Verification System would be separate from the current new hire reporting requirements and would be jointly run by the Department of Homeland Security and Social Security Administration. We will keep you informed on the progress of this proposal as well as other proposals regarding the validation of individual’s right to work.

Fines Proposed for Employers Hiring Illegal Aliens: Another Senate proposal is to fine employers up to \$25,000 per occurrence for hiring illegal aliens.

Editor’s comments: Other law changes **must** be enacted in order to assist employers in avoiding being fined. For example, currently, the SSA and IRS state that it is an employer’s responsibility to confirm the legal status of a new hire. The SSA provides for telephone service to confirm the legality of a Social Security number. However, an employer **cannot check** the validity of a Social Security number prior to hiring the individual. Plus, then if the Social Security number is invalid, the employer **is prevented** from terminating the employee based on providing false information! So, lets see now, you cannot check on the validity prior to performing an “illegal” act of hiring an undocumented worker, plus you can be fined if the number is later proven invalid! Sounds like “darned if you do it, darned if you don’t” to me.

IRS Urged to Re-Evaluate Mileage Reimbursement Rate: The IRS has been urged to re-examine its position on the amount per mile a company uses to reimbursement it’s employees for business miles driven. As you are aware, the IRS reduced the mileage reimbursement rate to 44.5 cents per mile for 2006, as compared to the 2005 rate of 48.5 cents. The reasoning is that the 44.5 cent rate is not sufficient in the face of high and rapidly climbing gas prices.

Payroll Problems with Nonresident Aliens: One of the biggest continuing concerns facing employers of nonresident aliens is knowing when they become resident aliens for tax purposes. Nonresident aliens working in the US under an F-1, J-1, Q-1 or M-1 visa are exempt from Social Security and Medicare taxes until they become residents for tax purposes.

The length of time nonresident aliens are in this country is key to knowing when to treat them as residents for tax purposes, and thereby subject to Social Security and Medicare. The stay of F-1 (student) visa holders does not start to count as resident aliens until after their fifth year; in actuality, the beginning of the calendar year in which they will pass their fifth year anniversary if you have reason to believe that they will still be with us on their fifth anniversary.

Regarding withholding requirements, nonresident aliens, with few exceptions, are not permitted to claim the standard deduction (for example M-1, or S-4). One exception is students from India may claim their dependents. Effective January 1, 2006, nonresident aliens completing a W-4 Form must check “single”, regardless of their actual marital status, and they may only claim one allowance (S-1). Also, employers **MUST add** an amount of pay to a nonresident alien’s earnings for calculation purposes only. The additional amount brings the total pay amount above the tax

table for a zero withholding amount, thereby offsetting the standard deduction amount that is build into the withholding tables. This year, for example, employers need to add \$51.00 to a weekly payroll, \$102.00 to a biweekly payroll, and \$110.50 to a semimonthly payroll. This amount is added to subject pay, taxed, and then taken back out (In and Out like Tips). Another method would be to increase their withholding amount by \$51.00 per week.

MANDATORY EMPLOYMENT VERIFICATION IMMINENT, USCIS OFFICIAL SAYS

A national system requiring employment verification for workers is a virtual certainty, Robert Divine, acting deputy director of the U.S. Citizenship and Immigration Services, said May 25 at the American Payroll Association's 24th Annual Congress.

The mandate that all employers verify that individuals are authorized to work in the U.S. is embedded in both the House (H.R. 4437) and Senate (S.B. 2611) versions of immigration bills and basically expands a current pilot version of a system that matches employee names with taxpayer identification and alien registration numbers, Divine said.

According to Divine, USCIS wants a system that takes the guess-work out of employment verification. To help facilitate this, USCIS is planning to:

- issue secure biometric identification cards for all aliens with unrestricted work authorization;
- eliminate local identification cards that are easily counterfeited; and
- connect various data bases to facilitate real-time cross-checking of employment status with admission data from border entry point.
- eliminating data errors by pushing for electronic interfacing
- linking the verification and sponsorship process; and
- searching verification patterns for identity fraud and employer abuse

California Minimum Wage Issues: Governor Schwarzenegger petitioned a dormant state commission, the Industrial Welfare Commission, to increase the minimum wage by \$1.00 in an attempt to circumvent lawmakers who have blocked legislation that would make the same increase.

The governor's proposal is to increase the current minimum wage of \$6.75 to \$7.75 in two, 50-cent increments over a nine month period.

Pay-Net's New ConfirmFTD Service: We are pleased to announce our new ConfirmFTD service which allows our Electronic Tax Filing clients to check their Federal tax deposits on the EFTPS Department's web site (a division of the IRS). For more information, please look at the flyer that is packed with your payroll.



A Note from Wayne

It seems that our government continually adds tasks to employers without any consideration of the amount of time and/or money it takes a business to stay in compliance with the rules and regulations. And, to top it off, it only continues to grow and grow! The latest news from Washington is full of the issue of "illegal immigration". All the proposals now pending will require additional work on the part of the nation's employers. Be assured that Pay-

Net will continue to keep you advised on these legislature issues and how it will impact your business. After all, Pay-Net is an employer also, and all these new laws affect us too! I hope and pray that all of you will have a safe summer. Relax and enjoy your time away from your business.

Wayne