

Welcome to our Twenty Eighth 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's 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 operations@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 valuable 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!

► **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 their checks on the 5th of a month.**

▶ With the Labor Day Holiday, companies that normally date their checks on the 5th of the month will be in a time crunch. 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 Thursday, August 31, 2006!**

▶ With the last day of September falling on Saturday, and the first day of October falling on Sunday, your check date will revert back to Friday, September 29th. So, if you normally date your checks for the end of the month, or the 1st day of the month, and you have direct deposit, we will need your payroll information by 2:00 pm on Wednesday, September 27th.

▶ **Monday, October 9th, is the Columbus Day Holiday. This is a banking holiday but Pay-Net will be open that day. Please take this day into account as you prepare your payroll information.**

▶ October 15th falls on a Sunday. If you normally date your checks on the 15th, your check date will revert back to Friday, October 13th. If you have direct deposit, we will need your payroll information before 2:00 pm on Wednesday, October 11th.

▶ October 31st falls on a Tuesday. If you normally date your checks for the last day of the month, and you have direct deposit, we will need your payroll information by 2:00 pm on Friday, October 27th.

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

- ▶ * 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

Additional Services Offered by Pay-Net: Sometimes clients can forget the vast range of services that Pay-Net can offer your company. For example, did you know that we offer four different types of tax services? Did you know you could import your payroll information from an Excel® spreadsheet? Since businesses are constantly changing, your payroll and human resource requirements can also change. We encourage you to examine the vast number of services that we offer, from Human Resource tracking to Employee Self Service. To find out about our expanse of services visit our web site, www.pay-net.net, and click on "Pay-Net Solutions".

IRS Announces New Tip Reporting Program: Food and beverage employers may now participate in a three-year pilot program for reporting tip income that requires no contract with the Internal Revenue Service and no employee tip log, the agency says. The program is known as the Attributed Tip Income Program (ATIP) because it is "based on a formula that uses a percentage of gross receipts, which are generally attributed among employees based on the practices of the restaurant," according to IRS.

Formal guidance on the program is contained in Revenue Procedure 2006-30, which is now posted on IRS's Web site at <http://www.irs.gov/pub/irs-drop/rp-06-30.pdf>.

Important New Reporting Requirements: Any person in a trade or business who receives more than \$10,000 in cash in one transaction or in two or more related transactions must file Form 8300, Report of Cash Payments Over \$10,000 Received in a Trade or Business. The definition of cash includes U.S. and foreign currency, and can include cashier's checks, money orders, bank drafts or traveler's checks with a face amount of \$10,000 or less. A business must file Form 8300 with the IRS within 15 days of the transaction.

Information on the filing requirements of Form 8300 is available on the Workbook on Reporting Cash Payments over \$10,000 page on www.irs.gov, or in Publication 1544, Reporting Cash Payments of Over \$10,000 (Received in a Trade or Business). Additionally, questions can be e-mailed directly to the IRS Detroit Computing Center at 8300QUESTIONS@irs.gov.

California's Minimum Wage: Our governor and State lawmakers have agreed in principle to raise the state's minimum wage by \$1.50 in increments resulting in a minimum wage of \$8.00 in 2008, with no adjustments for the cost of living. We will continue to monitor the progress of the proposals and keep you advised.

Payroll Puzzler: Jane is the payroll manager for a mid-sized manufacturing company in Northern California. She recently received an email from John, an employee who has been serving with the Army Reserves in Iraq for the last six months. John told Jane that she can add his combat pay to his regular pay when calculating how much to contribute to his IRA. However, Jane knows that combat pay is nontaxable and cannot be counted for IRA contribution purposes. Is Jan right?

The answer: See the answer at the end of this Enewsletter.

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). You should have received a flyer with your payroll.

To describe the service in a nutshell: For a very minimal one-time fee, Pay-Net will enroll you with the EFTPS unit of the IRS. You will receive a PIN directly from the EFTPS, which will allow you to register and login directly to the EFTPS web site. There, on their web site, you can confirm the date and amount of all Federal 941 and 940 deposits made on your behalf by Pay-Net for the last 16 months.

Continued Pressure on Employers Regarding Illegal Immigrants: As I am sure you are all aware, there is continued pressure on employers regarding hiring illegal immigrants. Pay-Net will endeavor to keep you up-to-date on developments and how they might affect your business. One of the latest statements issued by the IRS, says:

A valid Social Security card can be used to determine an individual's employment eligibility. Employers that knowingly hire, or continue to employ, individuals who are not authorized to work in the United States can be fined from \$250 to \$2,000 per unauthorized alien for a first offense; from \$2,000 to \$5,000 per alien for a second offense; and from \$3,000 to \$10,000 per alien for each subsequent offense.

Puzzler Answer: No, Jane is not right, because the Heroes Earned Retirement Opportunities Act, signed by President Bush on May 29th of this year, allows combat pay to be considered taxable income for purposes of calculating allowable IRA contributions under IRS Code Section 219. This law allows military personnel to make late contributions for taxable years beginning after December 31, 2003 and ending before its enactment date.



A Note from Wayne

Several clients have asked me an interesting question regarding Pay-Net's new ConfirmFTD service. Basically, the question goes like "Doesn't this service draw attention to Pay-Net's possible problems?" The answer is a simple YES. Pay-Net was founded, and continues to operate, on the highest business principles and ethics. Do we make mistakes? YES! Do we try to remedy each and every problem? YES! Are we perfect? A definite

NO! But, we do continually try to improve our service to you, our valued client. We introduced this service because of the many unscrupulous payroll services that have come and gone in our industry and have left a bad taste for our industry. Our goal it to have our clients feel confident in our service. And, one way to accomplish this goal, is to provide our clients with a method to check on our ability to do a simple task – make Federal payroll Tax Deposits on time! After all, neither you nor Pay-Net want a problem with the IRS because it detracts from our basic business.

A handwritten signature in black ink, appearing to read "Wayne". The signature is stylized and cursive.