

Welcome to our Thirty First 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 a request by email 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 operations@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
Dan (Operations):	danr@pay-net.net
Amabel (Operations):	amabelh@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: If you have the opportunity, please visit our web site at www.pay-net.net 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. The holiday season and the month of January will prove challenging for payroll personnel.

- ▶ **Monday, December 25th is Christmas Day, a banking holiday, and Pay-Net is closed that day. Please take this into account as you prepare your payroll information.**
- ▶ **Thursday, December 28th, is the last day to report any wage adjustments for 2006. You will need to process any and all manual checks or adjustments on, or before, this date.**

If you need to have an additional payroll date added to your processing calendar, please call our office.

▶ If you normally date your checks for the end of a month, or the beginning of a month, look at the calendar carefully. Your check date probably rolled back to be Friday, December 29th. If left unchanged, and you have direct deposit, we will need your payroll information by 2:00 pm on Wednesday, December 27th.

▶ **Monday, January 1st is New Year's Day, a banking holiday, and Pay-Net is closed that day. Please take this into account as you prepare your payroll information.**

▶ **Monday, January 15th is Martin Luther King Day, a banking holiday, but Pay-Net will be open that day. Please take this into account as you prepare your payroll information.**

▶ Since January 15th falls on a holiday, if you normally date your checks on the 15th, your check date rolled back to Friday, January 12th. If you normally date your checks on the 15th and you have direct deposit, we will need your payroll information by 2:00 pm on Wednesday, January 10th.

▶ January 20th falls on Saturday. If you normally date your checks for the 20th, your check date rolled back to Friday, January 19th. If you normally date your checks on the 20th and you have direct deposit, we will need your payroll information by 2:00 pm on Wednesday, January 17th.

▶ February 5th falls on a Monday. 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 Thursday, February 1st.

▶ **Monday, February 19th is Presidents Day, a banking holiday, but Pay-Net will be open that day. Please take this into account as you prepare your payroll information.**

▶ February 20th falls on a Tuesday following a Monday holiday. If you normally date your checks on the 20th and you have direct deposit, we will need your payroll information by 2:00 pm on Thursday, February 15th.

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

- ▶ * Monday, December 25, 2006 – Christmas Day – Pay-Net will be closed
- ▶ * Monday, January 1, 2007 – New Year's Day – Pay-Net will be closed

2007 Holiday Schedule: The following holidays are scheduled for 2007. The official "bank holidays" are marked with an "*"

- ▶ * Monday, January 1, 2007 – New Year's Day – Pay-Net will be closed
- ▶ * Monday, January 15, 2007 – Martin Luther King Day
- ▶ * Monday, February 19, 2007 – President's Day
- ▶ * Monday, May 28, 2007 – Memorial Day – Pay-Net will be closed
- ▶ * Wednesday, July 4, 2007 – Independence Day – Pay-Net will be closed
- ▶ * Monday, September 3, 2007 – Labor Day – Pay-Net will be closed
- ▶ * Monday, October 8, 2007 – Columbus Day
- ▶ * Monday, September 3, 2007 – Labor Day – Pay-Net will be closed

- ▶ * Monday, November 11, 2007 – Veteran’s Day
- ▶ * Thursday, November 22, 2007 – Thanksgiving Day – Pay-Net will be closed
- ▶ Friday, November 23, 2007 – Day after Thanksgiving – Pay-Net will be closed
- ▶ Monday, December 24, 2007 – Day before Christmas – Pay-Net will be closed
- ▶ * Tuesday, December 25, 2007 – Christmas Day – Pay-Net will be closed
- ▶ Monday, December 31, 2007 – Day before New Year’s Day – Pay-Net will be closed
- ▶ * Tuesday, January 1, 2008 – New Year’s Day – Pay-Net will be closed

Changes in California’s Minimum Wage Rate

Governor Arnold Schwarzenegger signed the minimum wage bill on September 12, 2006, giving California the highest statewide minimum wage in the country. The bill increases the state’s minimum wage rate to \$7.50 per hour on January 1, 2007 and to \$8.00 per hour on January 1, 2008.

Effective 01/01/2007	\$7.50
Effective 01/01/2008	\$8.00

Do you realize that you can begin now to input the new increase to your minimum wage employees. If you are a remote client or use Payentry, you can enter the employee’s new wage amount and put an effective date of 01/01/2007. That way, when January rolls around, the system will automatically pay the employee based on the new hourly rate! If you have any questions on how to set this up, send us an email or give us a call.

Year End Stuff: As we rapidly approach the Christmas Season and Year End, please make note of the following:

▶ **Final Payroll Cutoff Date:** Please make note that Thursday, December 28, 2006, is the *last* day to report any payroll transactions or adjustments that you may want included on your 2006 W2 Forms. Any adjustments reported after that date may be subject to additional processing fees and possible penalties from the IRS or EDD, plus necessitating a delay in the delivery of your year end payroll tax returns including W2 Forms.

▶ **IRS Letter:** Each year the I.R.S. sends a letter stating the company’s depository requirements for the coming year. Please FAX or mail us a copy of this letter as soon as you receive it. This is the only notification from the IRS regarding depository requirements. If you fail to send the letter to us, we will not be responsible for any problems resulting from your failure to send us the letter. You should receive this letter in November or early December.

▶ **SUI Letters:** Each year, most of the states send companies letters stating the company’s SUI rate for the coming year. Please FAX or mail us a copy of this letter as soon as your receive it.

▶ **Misc Payroll Related Stuff:** If your company will have any unusual payroll transactions at the end of the year, please contact us in advance. These transactions can include:

- (1) Allocated Tip Reporting
- (2) Personal Use of Company Car (PUCC)
- (3) Third Party Sick Pay
- (4) Group Term Life Insurance premiums over \$50,000

(5) Health Insurance Premiums for Officers of a Sub-Chapter S Corporations

▶ **Quarter End Reports:** Remember that certain quarter-end reports will be sent with your last payroll in December. These reports include a Taxable Wage Report for the 4th quarter, a Payroll Processing Schedule, and a W2 Edit Report. Please review the W2 Edit Report for any employees with missing Social Security Numbers, address changes, etc.

▶ **Year End Returns:** We expect to have everyone's year end reports, including W2's, ready and shipped out by Monday, January 22, 2007.

▶ **W2 Filings:** Again, Pay-Net will be electronically filing *all* of our clients' W2 Forms with the Social Security Administration, even if your company does not use our electronic tax filing services.

Changes for 2007: Various taxing agencies have announced the following changes for 2007:

▶ Social Security Wage Base increases to \$97,500 from \$94,200 in 2006. This makes the maximum a taxpayer can accrue in Social Security taxes for 2007 \$6,045.00, up from \$5,841.40 in 2006.

▶ The Social Security tax rate will remain at 6.2% and the Medicare tax rate will remain at 1.45% for 2007. Again, as in previous years, there is no wage limit for Medicare.

▶ 401(k) deferral limit has been raised to \$15,500, a \$500 increase from 2006. The dollar limit for catch-up contributions stays at \$5,000, the same as 2006.

▶ SIMPLE retirement account deferral increases by \$500 to \$10,500.

▶ The standard mileage rate for 2007 will be 48.5 cents per mile for business miles driven. The standard mileage rate for the use of a car for charitable purposes will remain at 14 cents per mile in 2007.

▶ The qualified transportation fringe benefit for parking in 2007 increases \$10 to \$215 per month, and the transit pass exclusion increases \$5 to \$110.

▶ The adoption expense exclusion for qualified employer plans increases to \$11,390 in 2007, up from \$10,960 this year.

▶ The 2007 standard deduction for married couples filing a joint return will be \$10,700, for singles \$5,350, and for heads of households \$7,850.

▶ The California SDI rate for 2007 is 0.6 percent; the SDI taxable wage base is \$83,389. The maximum withholding amount for each employee is \$500.33 in 2007.

▶ California employer SUI rates in 2007 will remain under Schedule F+, which includes a 15 percent emergency surcharge. The rates range from 1.5 percent to 6.2 percent. The voluntary UI contribution program is not in effect next year. The employment training tax remains 0.1 percent.

▶ San Francisco voters Nov. 7 approved what is believed to be the nation's first requirement that employers provide paid sick leave to workers. Starting February 2007, certain employers in San Francisco under the labor-backed Proposition F are required to provide workers with one hour of paid sick leave for every 30 hours worked. New employees have to wait three months before beginning to earn sick leave. The provisions are minimums and employers may provide more generous policies.

State Minimum Wage Update: All six states with minimum wage ballot initiatives in the Nov. 7 election have raised their minimum wages. An initiative in Arizona creates a state minimum wage of \$6.75 per hour, effective Jan. 1, 2007. Previously, Arizona did not have a minimum wage law.

Colorado and Ohio will increase their minimum wages to \$6.85 per hour, also effective Jan. 1, 2007. Missouri will increase its minimum wage to \$6.50 per hour, and Montana will increase its minimum to \$6.15 per hour—both also effective Jan. 1, 2007.

Nevada employers will be required to pay \$6.15 per hour, effective Nov. 28, 2006. Employers, however, can continue to pay \$5.15 per hour to employees under age 18 or to any employee for whom they pay health insurance benefits.

IRS Issues New Guidelines for Charitable Contributions: Notice 2006-110, issued recently by the IRS, provides guidance on how individual charitable contributions, even those made by payroll deductions, may meet the requirements of § 170(f)(17) of the Internal Revenue Code.

Taxpayers claiming charitable contribution deductions for cash, check, or other monetary gifts made in taxable years beginning after August 17, 2006, are subject to the new record keeping requirements of § 170(f)(17), as added by section 1217 of the Pension Protection Act of 2006, P.L. 109-280, 120 Stat. 780 (2006)(PPA). To substantiate a deduction, § 170(f)(17) requires a taxpayer to maintain a bank record or a written communication from the donee showing the name of the donee organization, the date of the contribution, and the amount of the contribution. For a charitable contribution made by payroll deduction, a pay stub, Form W-2, or other employer-furnished document that sets forth the amount withheld for payment to a donee organization, along with a pledge card prepared by or at the direction of the donee organization, will be deemed to be a “written communication from the donee organization” that satisfies the requirements of § 170(f)(17).

For any contribution of \$250 or more, § 170(f)(8) provides that no deduction is allowed unless the taxpayer substantiates the contribution by a contemporaneous written acknowledgment of the contribution by the donee organization. The contemporaneous written acknowledgment must contain the amount of cash and a description of any property other than cash contributed; a statement whether the donee organization provided any goods or services in consideration for the contribution; and a description and good faith estimate of the value of any goods or services provided in consideration for the contribution, or, if the goods or services consist solely of intangible religious benefits, a statement to that effect.



A Note from Wayne

With the holiday season quickly approaching, I would like to thank all of our clients for a very successful year. Christmas is an important time of the year for me because it gives me time to reflect back on all the happenings, changes, and opportunities and excitement I had in the previous year, and to get mentally prepared for the dreaded YEAR END! I am especially thankful to my supportive wife, my children, and all the supportive clients and employees we have at Pay-Net. I hope and pray that you and your family will have a great and safe Christmas and New Years season.

Wayne J.