

Welcome to our Thirty Second Edition of Pay-Net's E-Newsletter. Previous editions of our E-Newsletter are available on our web site, [www.pay-net.net](http://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](mailto: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](mailto: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):	<a href="mailto:wayne@pay-net.net"><u>wayne@pay-net.net</u></a>
Hollis (Operations):	<a href="mailto:hlee@pay-net.net"><u>hlee@pay-net.net</u></a>
Gloria (Operations):	<a href="mailto:gbal@pay-net.net"><u>gbal@pay-net.net</u></a>
Dan (Operations):	<a href="mailto:danr@pay-net.net"><u>danr@pay-net.net</u></a>
Amabel (Operations):	<a href="mailto:amabelh@pay-net.net"><u>amabelh@pay-net.net</u></a>
Anna (Taxes):	<a href="mailto:atudor@pay-net.net"><u>atudor@pay-net.net</u></a>
Bruce (Technical):	<a href="mailto:bsims@pay-net.net"><u>bsims@pay-net.net</u></a>
General Communication:	<a href="mailto:operations@pay-net.net"><u>operations@pay-net.net</u></a> (this will be forwarded to the appropriate person)
Debbie (Sales):	<a href="mailto:dwillett@pay-net.net"><u>dwillett@pay-net.net</u></a>

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](http://www.pay-net.net) and let us know what you think about it. Send your responses to [operations@pay-net.net](mailto: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.

- ▶ February 5<sup>th</sup> falls on a Monday. If you normally date your checks for the 5<sup>th</sup> and you have direct deposit, we will need your payroll information by 3:00 pm on Thursday, February 1<sup>st</sup>.
- ▶ **Monday, February 19<sup>th</sup> 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 20<sup>th</sup> falls on a Tuesday following a Monday holiday. If you normally date your checks on the 20<sup>th</sup> and you have direct deposit, we will need your payroll information by 3:00 pm on Thursday, February 15<sup>th</sup>.
- ▶ March 5<sup>th</sup> falls on a Monday. If you normally date your checks on the 5<sup>th</sup> and you have direct deposit, we will need your payroll information by 3:00 pm on Thursday, March 1<sup>st</sup>.
- ▶ March 20<sup>th</sup> falls on a Tuesday. If you normally date your checks on the 20<sup>th</sup> and you have direct deposit, we will need your payroll information by 3:00 pm on Friday, March 16<sup>th</sup>.
- ▶ March 31<sup>st</sup> falls on Saturday, and April 1<sup>st</sup> falls on Sunday. If you normally date your check on the End of Month, or the First of the Month, your check date will fall back to Friday, March 30<sup>th</sup>. If this is applicable to you, and you have direct deposit, we will need your payroll information by 3:00 pm on Wednesday, March 28<sup>th</sup>.
- ▶ April 15<sup>th</sup>, also known as Tax Day, falls on a Sunday. If you normally date your checks for the 15<sup>th</sup>, your check date will fall back to Friday, April 13<sup>th</sup>. If you have direct deposit, we will need your payroll information by 3:00 pm on Wednesday, April 11<sup>th</sup>.
- ▶ April 30<sup>th</sup> falls on a Monday. If you normally date your checks for the End of the Month and you have direct deposit, we will need your payroll information by 3:00 pm on Thursday, April 26<sup>th</sup>.

## **Important Announcement**

**Effective immediately, Pay-Net will be enforcing our cut-off times. The cut-off time for payroll submission will be 3:00 pm. It is very important to note that any payroll information received after 3:00 pm by Pay-Net *may not be processed the same day!* Processing after 3:00 pm will be determined on a day by day, payroll by payroll basis. Our sync server will be shutdown at 3:00 pm and will be restarted at 5:00 pm. Our fax machine will remain online, but we may not enter any payroll information received after 3:00. That means that if you are on Payentry, or if you are a remote client, you will not be able to sync with Pay-Net between 3:00 and 5:00. That also means that our remote clients cannot receive back their payroll information during these hours. If your company has experienced a problem such as computer system malfunction, internet connectivity issues, etc., please call Pay-Net to make alternative plans.**

**The reason for this policy is due to the fact that a large number of our clients wait until late in the day to send us their payroll information. Not only does this increase our payroll cost due to the overtime, but it means that it is possible to miss our cutoff times with our courier service, our direct deposit provider, etc. Missing these cutoff times is not fair to our clients that do transmit in a timely fashion.**

**2007 Holiday Schedule:** The following remaining holidays are scheduled for 2007. The official “bank holidays” are marked with an “\*”

- ▶ \* 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 12, 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 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 \$5,8410.40 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.

**New California Requirements:** A new California law, AB2095, provides that an employer is considered to have complied with the itemized wage statements requirement if overtime hours worked in the current pay period are itemized as corrections on the pay stub for the next regular pay period. Corrections included in a subsequently issued pay stub must identify the dates of the pay period to which they refer.

In other words, any pay corrections that apply to a previous pay period (for example “retro pay”) must be noted on the check stub, and the dates of the pay period that applies must be noted!

How can you comply with this new law? Go to our web site at [www.pay-net.net](http://www.pay-net.net) . Go to the “Employer Resources” section and then the “Downloads” section. Scroll down and find the

training document on “Check Stub Memos”. This document covers how you can use the system if you wish, either our Remote system or Payentry.

**IRS Form 944:** Last year, the IRS introduced a new form for very small companies. This form, the 944, replaces the normal quarterly form 941. In 2006, the IRS was very liberal in its enforcement of this new form. The Form 944 is filed annually where the 941 is filed quarterly.

However, in 2007, any company that has received notice from the IRS that they are subject to the new Form 944, must use this form instead of the normal Form 941. If a company does not use the 944, they may be subject to penalties.

**Pay-Net does not receive any notification from the IRS if a company must file on a Form 944, and we must rely on our clients to provide us with this information.** If your company received a letter from the IRS notifying you of your 944 filing requirement in 2006 or 2007, please send this notice to us immediately. Pay-Net cannot be held responsible for penalties issued to any company that has not notified us of this filing requirement.

**Federal Minimum Wage: HOUSE PASSES MINIMUM WAGE BILL.** The minimum wage would increase to \$7.25 an hour over two years under a bill approved by the U. S. House of Representatives Jan. 10 by a vote of 315-116. The bill would increase the minimum wage to \$5.85 an hour 60 days after enactment, to \$6.55 one year later, and to \$7.25 one year after that. The issue now moves to the Senate, which is expected to move on its bill in two to three weeks.

Under the bill, the minimum wage would rise from \$5.15 an hour to \$5.85 an hour 60 days after enactment. One year later, the wage would increase to \$6.55 an hour and a year after that, it would increase to \$7.25. Since most of you are California employers, these changes do not seem to affect you since California just went to \$7.50 per hour.

However, if you have employees in other states, you might be affected.

There are 5 states that do not have a minimum wage law – Alabama, Louisiana, Mississippi, South Carolina and Tennessee. Employers in these states would automatically have to pay the higher federal rate.

Fifteen other states have minimum wage laws that equal the current federal rate – Georgia, Idaho, Indiana, Iowa, Kentucky, Nebraska, New Hampshire, New Mexico, North Dakota, Oklahoma, South Dakota, Texas, Utah, Virginia, and Wyoming. These states would also have to raise their minimum wage laws.

Montana, and North Carolina have minimum wage laws above the current federal rate, but below the proposed rate. So, these states would also be raising their minimum wage laws.

**Pension Reform Bill Allows Automatic 401(k) Enrollment:** The Pension Protection Act, signed into law by President Bush Aug. 17, gives employers more flexibility in developing and administering their Section 401(k) plans. Among other things, the bill:

- allows employers to automatically enroll employees into 401(k) plans unless the employee opts not to be enrolled,
- allows employers to automatically increase the amount of money they deduct from employees' paychecks for contributions into their Section 401(k) plans over time,
- encourages plan sponsors to offer annuities as a direct distribution option by allowing Section 401(k) plan assets to be paid out more like the lifelong income of a traditional defined benefit pension plan,

- makes permanent higher catchup contribution limits for workers who need to add to their savings as they near retirement,
- allows employees who participate in Sections 401(k) and 403(b) plans to rebalance their portfolios by changing the particulars of their plans, and
- gives employees easy access to advisers who can help them make better savings decisions through the use of computer models that are certified as “bias-free” by an independent third party.

**California Workers Claim Losses, Penalties for Paychecks Drawn on Out-Of-State Bank:**

A state law intended to guarantee employees prompt payment of wages requires Dollar Tree Stores Inc. to give its California employees paychecks drawn on an in-state bank, or to make arrangements for employees to cash checks without incurring delays or costs, a federal court in San Francisco ruled Sept. 15 (*Fleming v. Dollar Tree Stores Inc.*, N. D. Cal., No. C06-03409 MJJ, 9/15/06).

Refusing to dismiss a lawsuit seeking damages and penalties on behalf of employees who received checks drawn on Wachovia Bank, Judge Martin J. Jenkins of the U.S. District Court for the Northern District of California found that an exemption in the California Labor Code for some checks where "the drawee is a bank" only applied to employers that are themselves banks.

California Labor Code Section 212(a)(1) prohibits payment of wages by check unless the check is "negotiable and payable in cash, on demand, without discount, at some established place of business in the state, the name and address of which must appear on the instrument." According to papers filed in the lawsuit, Dollar Tree paid California employees with checks drawn on Wachovia Bank N.A., a national bank with branches and facilities in a number of Eastern and Southern states, but not in California.



## *A Note from Wayne*

I would like to thank all of our clients for your patience during this busy Year End Season in payroll. Pay-Net processed in excess of 30,000 W2 Forms this year, killing a lot of trees in the meantime! While almost all of our client's tax return packages have been sent out, we are still working feverously getting your tax returns ready to file with the taxing authorities. January 31<sup>st</sup> always seems to come too quickly. Thank you again for all of your patience.

*Wayne J.*