

Welcome to our Thirty Fifth 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 8 to 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. By doing this, 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
Becky (Operations)	rbaker@pay-net.net
Anna (Taxes):	atudor@pay-net.net
Ivan (Technical):	idiaz@pay-net.net
General Communication:	operations@pay-net.net (this will be forwarded to the appropriate person)
Debbie (Sales):	dwillett@pay-net.net
Amabel (Sales):	amabelh@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.

"Challenging" Payroll Dates: Please take notice of the following dates as you prepare your payroll information.

► **Monday, September 3, 2007, is the Labor Day Holiday. Pay-Net will be closed that day. Please ensure that you take this holiday into account when preparing your payroll information.**

► September 5th falls on Wednesday. However, because of the Labor Day Holiday, if you normally date your checks for the 5th and you have direct deposit, we will need your payroll information by 3:00 pm on Friday, August 31st.

- ▶ September 15th falls on Saturday. Therefore, your check date will fall back to Friday, the 14th. If you normally date your checks for the 15th and you have direct deposit, we will need your payroll information by 3:00 pm on Wednesday, September 12th.
- ▶ September 30th, the last day of the month, falls on Sunday. If you date your checks for the last of a month, your check date will roll back to Friday, the 28th, and if you have direct deposit, we will need your payroll information by 3:00 pm on Wednesday, September 26th.
- ▶ **Monday, October 8, 2007, is the Columbus Day Holiday. Pay-Net will be open that day. However, it is a banking holiday. Be sure to take this day into consideration as you prepare your payroll information.**
- ▶ October 15th falls on a Monday. If you normally date your checks for the 15th and you have direct deposit, we will need your payroll information by 3:00 pm on Thursday, October 11th.
- ▶ October 20th falls on a Saturday. If you normally date your checks for the 20th, your check date will roll back to Friday, the 19th. If you have direct deposit, we will need your payroll information by 3:00 pm on Wednesday, October 17th.

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

- ▶ * 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

Status on Social Security Name/Number Mismatches: As most of you are aware, Pay-Net has been following this issue for several years, keeping our clients up-to-date on the latest developments .

This summer, it has been interesting to watch the conflict between the Department of Homeland Security and the Social Security Administration. The DHS wanted to receive a copy of the “inaccurate” Social Security Number letters that the SSA will be sending out to companies after the 2007 W-2’s are processed. The DHS wanted to pursue employers that had a large number of SSN mistakes, assuming that the mistakes were due to hiring illegal aliens. However, the SSA has refused to give a copy of the letters to the DHS.

At the present time, for 2007 W-2 Forms, the SSA will send letters to companies that have a “large” number of mismatches between Social Security Numbers and the employees’ name on the W-2 Form. The IRS has not committed on the issue of penalizing employers for these incorrect W-2 Forms. And, the DHS will not get a copy of these letters.

All of which lead us to the following topic: Pay-Net’s EVS Service.

Pay-Net's EVS Service: Each November, Pay-Net offers an optional service to our clients called the EVS Service, or Electronic Verification Service, for a price of \$0.35 per employee.

With this service, Pay-Net will send a file to the Social Security Administration containing employee names and Social Security Numbers. There is no reference in the file to the employer. The SSA returns a file to Pay-Net listing any Social Security Numbers that do not match their data base. In turn, Pay-Net will send a letter to the clients listing the questionable employees.

We encourage all clients to take advantage of this program. Be proactive so your company will not have mismatches.

Watch for a payroll "stuffer" during October that will detail this service and give your company the option of not participating.

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.

What Printer to Buy? As you are probably aware, most small printers designed to connect directly to your PC are now manufactured and sold with USB connections instead of the "old" serial cable interface. This fact creates problems with printing checks, both regular and manual checks, from within Millennium or on Payentry. Due to security features programmed in Millennium, you can only print checks from a PCL compatible printer. This is technical talk for "you need a special printer to print checks." This security affects both remote software users and Payentry users with the "Secure Document" printing. Please note that this situation applies only to check printing, not report printing. However, there are some USB based printers that are also PCL compliant. If your company is thinking about adding a new printer, and if you print checks onsite, please contact Ivan in our Technical Support department for guidance on what printer models are PCL compliant.

Final Regulations on W-4 Forms Issued by the IRS: The Internal Revenue Service has issued final regulations (T.D. 9337), effective July 13, 2007, related to Form W-4, Employee's Withholding Allowance Certificate. These final regs are little changed from the temporary regs (T.D. 9196) the Treasury Department issued in April 2005. Employers are **prohibited** under the final regs from accepting a substitute W-4 form developed by employees, and IRS retains its ability to request submission by employers of certain questionable W-4s. The final regs clarify that an IRS notice to an employer specifying the maximum number of withholding exemptions permitted for a certain employee will also specify the marital status to be used in calculating the required withholding.

Federal and Certain State Minimum Wages Increased on July 24th: For our clients with out-of-state employees... Employers must be sure to comply with the new federal minimum wage rate, \$5.85 per hour, that came into effect on July 24. Many states also raise their minimum wages that day, either because they tie their rates to the federal standard or because they have enacted legislation to conform to the federal rate.

In addition to hourly pay, employers of tipped employees must be aware that in many cases the amount they must pay will change. In general, both state and federal laws provide a "tip credit;" employers must pay the difference between this credit and the minimum wage for employees earning a base amount of tips. When the federal wage increased, the tip credit did not.



A Note from Wayne

Summer time is just about over! The kids are getting ready to go back to school and we are waiting for cooler weather to prevail! I trust that you all had excellent vacation times. This summer has been "dead" with any major payroll changes or modifications. Really the only thing of interest has been the ongoing fight between the Department of Homeland Security and the Social Security Administration, as mentioned in the newsletter. As we march towards year end, please be sure to watch for our newsletters and payroll stuffers for important information.

Wayne Jb