

Welcome to our Thirty-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 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
Peggy (Operations)	pgreenwell@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

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, February 18th is the President's Day Holiday. Although Pay-Net will be open that day, it is an official banking holiday. Please take this into account as you prepare your payroll information.

► **Since the 18th is a holiday, if you normally date your checks on the 20th (Wednesday) and you have direct deposit, we will need your payroll information by 3:00 pm on Friday, February 15th.**

▶ **2008 is Leap Year. For this reason, February has 29 days in it. Be aware of this as you prepare your payroll information.**

▶ March 1st falls on Saturday. If you normally date your checks for the 1st, your check date will roll back to February 29th. If this applies to you and you have direct deposit, we need your payroll information by 3:00 pm on Wednesday, February 27th.

▶ March 15th falls on Saturday. If you normally date your checks for the 15th, your check date will roll back to March 14th. If this applies to you and you have direct deposit, we will need your payroll information by 3:00 pm on Wednesday, March 13th.

▶ March 31st falls on Monday. If you normally date your checks for the 1st and you have direct deposit, we will need your payroll information by 3:00 pm on Thursday, March 27th.

▶ April 5th falls on a Saturday. If you normally date your checks for the 5th, your check date will roll back to the 4th. If this applies to you and you have direct deposit, we will need your payroll information by 3:00 pm on Wednesday, April 2nd.

▶ April 15th falls on a Tuesday. 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 Friday, April 11th.

▶ April 20th falls on Sunday. If you normally date your checks for the 20th, your check date will roll back to Friday, the 18th. If this applies to you and you have direct deposit, we will need your payroll information by 3:00 pm on Wednesday, April 16th.

2008 Holiday Schedule: The following remaining holidays are scheduled for 2008. The official “bank holidays” are marked with an “*”

- ▶ * Monday, February 18, 2008 – President’s Day
- ▶ * Monday, May 26, 2008 – Memorial Day – Pay-Net will be closed
- ▶ * Friday, July 4, 2008 – Independence Day – Pay-Net will be closed
- ▶ * Monday, September 1, 2008 – Labor Day – Pay-Net will be closed
- ▶ * Monday, October 13, 2008 – Columbus Day
- ▶ * Tuesday, November 11, 2008 – Veteran’s Day
- ▶ * Thursday, November 27, 2008 – Thanksgiving Day – Pay-Net will be closed
- ▶ Friday, November 28, 2008 – Day After Thanksgiving – Pay-Net will be closed
- ▶ * Thursday, December 25, 2007 – Christmas Day – Pay-Net will be closed
- ▶ * Thursday, January 1, 2009 – New Year’s Day – Pay-Net will be closed

Important Announcement

Effective February 1, 2008, OnePoint Solutions LLC, of which Pay-Net is a member, received ownership to the Millennium payroll software system we have been using since 2002. OnePoint Solutions LLC has now employed software programmers and technical support personnel to develop the payroll software solution into a system that we believe will serve the complex requirements of our client base through many years to come.

Also, as a result, our on-line payroll system will now be called ePayentry and we have moved our clients onto our own web server.

EITC (Earned Income Tax Credit) Issues: Recently, the IRS ruled that employers must inform their employees of the existence of EITC by issuing a written statement that is presented to the employees at the time that W2's are issued. Your company may have received notice of this, or you might have heard about it. Please note that EITC is a *personal income tax issue*, not a payroll issue. However, if you wish to comply with the IRS directions, you may "cut and paste" the following information into a letter to your employees:

The Earned Income Tax Credit (EITC) sometimes called the Earned Income Credit (EIC), is a refundable federal income tax credit for low-income working individuals and families. Congress originally approved the tax credit legislation in 1975 in part to offset the burden of social security taxes and to provide an incentive to work. When the EITC exceeds the amount of taxes owed, it results in a tax refund to those who claim and qualify for the credit.

To qualify, taxpayers must meet certain requirements and file a tax return, even if they did not earn enough money to be obligated to file a tax return.

To qualify, an employee's earned income and adjusted gross income (AGI) for 2008 must each be less than:

- \$38,646 (\$41,646 married filing jointly) with two or more qualifying children;
- \$33,995 (\$36,995 married filing jointly) with one qualifying child;
- \$12,280 (\$15,880 married filing jointly) with no qualifying children.

Tax Year 2008 maximum credit:

- \$4,824 with two or more qualifying children;
- \$2,917 with one qualifying child;
- \$438 with no qualifying children

This issue does have payroll issues for some qualified employees. Eligible employees can receive part of their Earned Income Tax Credit in their paychecks throughout the year instead of waiting until they file their tax returns. To be eligible for this AEITC payment (Advanced Earned Income Tax Credit), an employee must expect to have a qualifying child, expect to fall within certain income limits, and expect to meet other specific requirements, which are explained on Form W-5, Earned Income Credit Advance Payment Certificate, and in more detail in Publication 596, Earned Income Credit. You can find W5 Forms on our web site at www.pay-net.net.

An eligible employee who wants the credit with his or her pay must give you (the employer) a completed and signed Form W-5.

The Form W-5 is valid only for the current calendar year.

If your employee expects to be eligible the following year, he or she must give you a new Form W-5.

To figure the amount of credit to include with the employee's pay, use either the Tables for Percentage Method or Tables for Wage Bracket Method of AEITC Payments in Publication 15, Circular E, Employer's Tax Guide. The advance payment is added to the employee's net pay for the pay period. Since the AEITC is not wages, employer's do not withhold any Income Tax, Social Security, or Medicare taxes from the AEITC portion of the payment.

Pay-Net's software can automatically calculate the AEITC for you if an employee is eligible to receive it. If you would like to setup the software for AEITC for your company, please give us a call.

IRS Form 944: Two years ago, 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, starting 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, 2007 or 2008, 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.

Payroll Tax Law Changes for 2008:

- ▶ Social Security Wage Base Change: The wage base increases to \$102,000.00 for 2008 but the percentage remains the same at 6.20%. The maximum an employee can accrue in Social Security in 2008 is \$6,324.00, up from \$6,045.00 in 2007.
- ▶ No change in Wage Base nor Percentage for Medicare. The wage base is unlimited and the percentage remains at 1.45%.
- ▶ Federal Withholding: The tables for withholding will be adjusted for inflation
- ▶ California Withholding: The tables for withholding will be adjusted for inflation
- ▶ California SUI: Will remain using the Table F+ for SUI percentages. Table F+ includes a 15% “emergency surcharge” to the regular Table F. The taxable wage limit of \$7,000.00 remains the same.
- ▶ California SDI Rate: The rate of 0.8% remains the same but the wage base goes to \$86,698.00 resulting in the maximum SDI withheld of \$693.58.



Note from Wayne

It's hard to believe that another Year End has come and gone. This marks the 13th Year End for Pay-Net! Each of them have had their own challenges and this year was no different. I want to thank all of our clients for their patience and understanding during this stressful time for us. This year, we processed over 30,000 W-2 Forms for our clients and had the majority delivered by January 16th. So, from all the crew at Pay-Net we wish you a Happy New Years!

Wayne