



Welcome to our Forty Second 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**](mailto:operations@pay-net.net) . By doing this, our list will remain current. When we sent out the last E-Newsletter, we got over 50 bounce-backs because the email address was no longer valid.

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 (General Manager): hlee@pay-net.net
- Gloria (Operations Mgr): gbal@pay-net.net
- Dan (Operations): danr@pay-net.net
- Becky (Operations) rbaker@pay-net.net
- Peggy (Operations) pgreenwell@pay-net.net
- Anna (Tax Manager): 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.

- ▶ December 15, 2008 is on a Monday. If you normally date your checks for the 15th and you have direct deposit, we will need your payroll information before 3:00 pm on Thursday, December 11th.
- ▶ December 20th is on a Saturday. If you normally date your checks for the 20th, your check date will fall backwards to Friday, the 19th. If this is the case, and if you have direct deposit, we will need your payroll information before 3:00 pm on Wednesday, December 17th.

▶ **The Federal Reserve System will close early on Wednesday, December 24th and Wednesday, December 31st. Because of these early closures, the cutoff time for Direct Deposit will be 10:00 am on both these days!**

▶ **Thursday, December 25th is Christmas Day. This is a banking holiday and Pay-Net will be closed that day.**

▶ **If you would normally date your checks for Friday, December 26th, and you want to keep that payroll date and you have direct deposit, we need your payroll information before 3:00 pm on Tuesday, December 23rd.**

▶ **Thursday, January 1, 2009 is New Years Day. This is a banking holiday and Pay-Net will be closed that day. If you normally date your checks for the 1st, your check date will roll backwards to December 31st. If this describes you and you have direct deposit, we will need your payroll information before 3:00 pm on Monday, December 29th.**

▶ **If you would normally date your checks for Friday, January 2nd, and you want to keep that payroll date and you have direct deposit, we need your payroll information before 3:00 pm on Tuesday, December 30th.**

▶ January 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 before 10:00 am on Wednesday, December 31st.

▶ **Monday, January 19th is Martin Luther King Day – a Federal and banking holiday. Pay-Net will be open that day. However, please take this day into account as you prepare your payroll information if you have direct deposit.**

▶ January 20th is on Tuesday. If you normally date your checks for the 20th and you have direct deposit, we need your payroll information before 3:00 pm on Thursday, January 15th (due to the Monday holiday).

▶ January 31st falls on Saturday, resulting in the deadline date for having W2's and 1099's sent to your employees rolling forward to Monday, February 2nd.

▶ If you normally date your checks for the end of the month, your check date will roll backwards to Friday, January 30th. If this applies to you and you have direct deposit, we will need your payroll information before 3:00 pm on Wednesday, January 28th.

▶ If you normally date your checks for the first of a month, your check date will roll backwards to Friday, January 30th. If this applies to you and you have direct deposit, we will need your payroll information before 3:00 pm on Wednesday, January 28th.

▶ February 15th falls on a Sunday. If you normally date your checks for the 15th, your check date will roll backwards to Friday, February 13th. If this applies to you and you have direct deposit, we will need your payroll information before 3:00 pm on Wednesday, February 11th.

▶ **Monday, February 16th is President's Day – a Federal and banking holiday. Pay-Net will be open on that day. Please take it into account as you prepare your payroll information.**

▶ The end of February, the 28th, is on a Saturday. If you normally date your checks for the end of the month, your check date will roll backwards to the 27th. If this applies to you and you have direct deposit, we will need your payroll information before 3:00 pm on Wednesday, February 25th.

▶ March 1st is on Sunday. If you normally date your checks for the first of the month, your check date will roll backwards to February 27th. If this applies to you and you have direct deposit, we will need your payroll information before 3:00 pm on Wednesday, February 25th.

2008/2009 Holiday Schedule: The following remaining holidays are scheduled for 2008 and the 2009 schedule of holidays. The official “bank holidays” are marked with an “*”

- ▶ * 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
- ▶ * Monday, January 19, 2009 – Martin Luther King Day – Pay-Net will be open.
- ▶ * Monday, February 16, 2009 - President’s Day – Pay-New will be open
- ▶ * Monday, May 25, 2009 – Memorial Day – Pay-Net will be closed
- ▶ Saturday, July 4, 2009 – Independence Day
- ▶ * Monday, September 7, 2009 – Labor Day – Pay-Net will be closed
- ▶ * Monday, October 12, 2009 – Columbus Day – Pay-Net will be open
- ▶ * Wednesday, November 11, 2009 – Veteran’s Day – Pay-Net will be open
- ▶ * Thursday, November 26, 2009 – Thanksgiving Day – Pay-Net will be closed
- ▶ Friday, November 27, 2009 – Day After Thanksgiving – Pay-Net will be closed
- ▶ * Friday, December 25, 2009 – Christmas Day – Pay-Net will be closed
- ▶ * Friday, January 1, 2010 – New Year’s Day – Pay-Net will be closed

Major Direct Deposit Policy Changes: As a result of changes within the banking system, along with a few other governmental rulings on top of the recent bank problems and failures, the regulations of the movement of funds through the Federal Reserve system has undergone several changes. The one that most directly affects our clients has to do with Direct Deposit. Effective immediately, any client that has a total direct deposit amount greater than \$500,000 will be required to wire transfer the funds to our bank. In addition, if any one employee has a direct deposit greater than \$100,000, a wire transfer will be required. We only have a few clients that will be affected by these new regulations. However, with the Christmas bonus time and the typical end-of-year bonuses, your company could come under these rules.

When a client is found with one of these conditions, Pay-Net will notify the contact person that a wire transfer is required. Depending upon a client’s relationship with their bank, a wire transfer usually requires an authorized person actually go into the bank and complete and sign the paperwork for a wire transfer. We would suggest that you consult with your bank now to determine the best and quickest method of sending a wire transfer so you will not be caught unprepared.

Pay-Net’s ConfirmFTD Service: We want to remind our clients of our 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).

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.

Tax Changes for 2009:

- ▶ The Social Security Rate remains the same at 6.2% but the Wage Base increases to \$106,800 in 2009, up from \$102,000 in 2008. As a result, the maximum an employee will pay into Social Security increases to \$6,621.60, up from \$6,324 in 2008.
- ▶ The Medicare Rate remains the same at 1.45% and the infinite wage base remains the same.
- ▶ The IRS has changed various Deferred Compensation plans maximum employee contributions:
 - 401k limit is now \$16,500 (Over 50 is \$22,000)
 - 403b limit is now \$16,500 (Over 50 is \$22,000)
 - 457b limit is now \$16,500 (Over 50 is \$22,000)
 - Roth 401k limit is now \$16,500 (Over 50 is \$22,000)
 - Roth 403b limit is now \$16,500 (Over 50 is \$22,000)
 - Simple limit is now \$11,500 (Over 50 is \$14,000)
 - Simple 401k limit is now \$11,500 (Over 50 is \$14,000)
- ▶ California's SDI Wage Base increases to \$90,669 in 2009, up from \$86,698 in 2008. In addition, the percentage figure used to calculate SDI increases from 0.08% in 2008 to 1.1% for 2009. The maximum SDI increases from \$693.58 for 2008, to \$997.36 for 2009.
- ▶ Federal and California income tax tables will be indexed by the cost of living – at least as of the present. January 20th could trigger some changes.
- ▶ The IRS has reduced the mileage reimbursement rate to \$0.55 per mile.

Year End Is Coming!!: Yikes, it's hard to believe that year-end is quickly approaching! With the holiday season fast approaching, we will quickly move right through Christmas. Before you know it, it's Year End time!

Before things get too hectic, we suggest that you examine your payroll dates for the rest of the year. Look for conflicts with holidays, remembering that for direct deposit, you need to transmit your payroll information to us three days prior to check date.

Also, are there any year-end payroll issues that you can start preparing for. You can start now planning for such things as PUC's (Personal Use of Company Car), or other fringe-type benefits that need to be reported on the W-2 Form.

Also, be alert for the annual **IRS Depository Notices** that are mailed out in November to companies that change depository frequency. The states will start sending out **SUI Rate Change**

Notices in November or December. Both of these notices need to be sent or faxed to Pay-Net. **Please note that Pay-Net does not receive a copy of your Depository Change Notice. Therefore, we cannot be held responsible for any IRS or EDD penalties.**

This year, **Pay-Net will be changing to a new W2 form.** This form, while remaining our standard 4 out form, will be pressure sealed instead of stuffed into envelopes. The pressure seal type of mailer is similar to the ones you receive at home where you have to tear off the edges of the form in order to open it. We are excited about this new form, as it should give us some printing and folding advantages over our old way.

The cutoff day for entering 2008 payroll adjustments is Tuesday, December 30th. We will begin processing Year End on January 1, 2009. If you are aware of any issues that may cause a re-processing of year end, please let us know so we can delay your processing and you can avoid any reprocessing fees.

Regarding our EVS Service: We are sending out letters to companies that had employee problems with Social Security name checks. Please try to have all changes reported to Pay-Net before December 30th. However, if you are a remote entry client, or you are on ePayentry, you need to make these changes in the system before December 30th.

Regarding Employee Copies of W2 Forms: If there are any “reporting type” problems on the Employee Copy of the W2, such as name misspelling, wrong Social Security Number, etc., please be advised that the IRS will accept “white out” on Employee Copies. This will save you time and money having to have an employee copy rerun. But, any changes must be entered into the system so they will be reflected on the Filing Copies of W2 forms which Pay-Net will file on, or before, February 15th. If an employee loses their W2 form, you can simply make a copy from the employer copy and give the employee the copy.

We anticipate being through with Year End by January 21, 2009. If you have not received your Year End package by that date, please call us.

Exciting New Software Features Are Here: As we previously announced in February, Pay-Net, as a member of OnePoint Solutions LLC, took over development of our software product. We are pleased to announce the first steps into a fully integrated Human Resource and Payroll software package. To read more about our new features in the software, click on the following link and you will be taken to a document on our web site:

<http://www.pay-net.net/docs/newsoftware.pdf>

And yes, if you are reading this ENewsletter on your computer, all of these links and email addresses are “clickable”.

If you would like to have these new features in your company, you will need to become a full remote client of Pay-Net. Call our office for details.

Enterprise Zones: Did you know that your company may be eligible to receive large State Income Tax Benefits? Do you realize that your tax credits could amount to thousands of dollars? Pay-Net’s newest partner, Incentive Advisors, is a company dedicated to helping companies such as yours to obtain these tax credits. If your company is located in an Enterprise Zone, as established by the government, you may be eligible for these credits. For more information, click on this link to download a flyer from our web site:

www.pay-net.net/docs/CAEZArticle.pdf

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? Or, 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”.

Customized Checks: Have you every wanted to customize Pay-Net’s standard payroll checks for your company. Did you know that your payroll checks can be printed with your company’s logo? For just a few cents a check, Pay-Net will add your logo to your checks. If you already have digitally signed checks, there is no extra charge for this service. Just email a black and white digital image of your logo to operations@pay-net.net and your logo will appear on your next payroll!

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.

Would You Like “Free” Payroll Processing? Here is a way for your company to have your payroll fees paid by your bank. Please be aware that there are a lot of “**IF**’s” to having your bank pay the fees. But, if your company qualifies, you can have the bank pay your payroll processing fees! Here are the “**IF**’s”:

IF your company’s bank accounts are under “Analysis” by the bank and **IF** your company’s Analysis Statement from the bank always indicates that you have more than enough funds on deposit to pay the bank’s fees, and **IF** your bank allows items to be paid through “Analysis”, then the bank will pay your payroll fees! Why? The FDIC allows banks to pay their customer’s “accounting fees” through their Analysis account, and payroll processing fees are classified as accounting fees.

The way this works is that you need to be first setup with your bank for payment of our fees. Then, once accepted by your bank, Pay-Net works with the bank and sends the invoice directly to the bank for payment. Some banks want customer approval before payment, some will pay immediately. We already do this for clients with Union Bank, Security Business Bank, North Island Credit Union, and others.



Note from Wayne

Wow, I cannot believe that it's Christmas time again! Seems like this year has just flown by! But, I am not really looking forward to my 29th Year End. Luckily, we have a few days off for Christmas before the rush begins. Many of you do not know what happens at payroll companies during the month of January. It is a high stress time with the phones ringing off the hook. The employees are working many hours of overtime plus a Saturday and Sunday tossed in for good measure. I just ask that you have a little patience with us during this

time, knowing that it will end for us on January 31st. I wish all of you a very Merry Christmas and a Happy and Prosperous New Year. I especially pray that next year will see an end to this economic situation we have today in our country and that your company will be successful in the next 12 months!

Wayne