



Welcome to our Fifty Seventh 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 4 to 6 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 Email Addresses Current** When you have personnel changes, remember to send us any email 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 When we sent out the last E-Newsletter, we got over 50 bounce-backs because the email addresses were no longer valid.

**Pay-Net Email 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">wayne@pay-net.net</a>
Hollis (General Manager):	<a href="mailto:hlee@pay-net.net">hlee@pay-net.net</a>
Gloria (Operations Mgr):	<a href="mailto:gbal@pay-net.net">gbal@pay-net.net</a>
Becky (Operations):	<a href="mailto:rbaker@pay-net.net">rbaker@pay-net.net</a>
Paula (Operations):	<a href="mailto:pmowry@pay-net.net">pmowry@pay-net.net</a>
Anna (Tax Manager):	<a href="mailto:atudor@pay-net.net">atudor@pay-net.net</a>
Ivan (Technical):	<a href="mailto:idiaz@pay-net.net">idiaz@pay-net.net</a>
General Communication:	<a href="mailto:operations@pay-net.net">operations@pay-net.net</a> (this will be forwarded to the appropriate person)
Debbie (Sales):	<a href="mailto:dwillett@pay-net.net">dwillett@pay-net.net</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).

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

- ▶ March 5, 2012, falls on a Monday. If you normally date your checks for the 5<sup>th</sup> and you have direct deposit, we need your payroll information before 3:00 pm on Thursday, March 1<sup>st</sup>.
- ▶ March 20, 2012, falls on a Tuesday. If you normally date your checks for the 20<sup>th</sup> and you have direct deposit, we need your payroll information before 3:00 pm on Friday, March 16<sup>th</sup>.
- ▶ March 31, 2012, falls on a Saturday. If you normally date your checks for the end of the month, your check date will roll back to Friday, March 30<sup>th</sup>. If this describes your situation and

you have direct deposit, we need your payroll information before 3:00 pm on Wednesday, March 28<sup>th</sup>.

▶ April 1, 2012, falls on a Sunday – no kidding! If you normally date your checks for the 1<sup>st</sup> of a month, your check date will roll back to Friday, March 30<sup>th</sup>. If this describes your situation and you have direct deposit, we need your payroll information before 3:00 pm on Wednesday, March 28<sup>th</sup>.

▶ April 15<sup>th</sup> falls on a Sunday. If you normally date your checks for the 15<sup>th</sup>, your check date will roll back to Friday, April 13<sup>th</sup>. If this describes your situation and you have direct deposit, we need your payroll information before 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 before 3:00 pm on Thursday, April 26<sup>th</sup>.

▶ May 1, 2012, falls on a Tuesday. If you normally date your checks for the 1<sup>st</sup> of a month and you have direct deposit, we need your payroll information before 3:00 pm on Friday, April 27<sup>th</sup>.

▶ May 5<sup>th</sup> falls on a Saturday. If you normally date your checks for the 5<sup>th</sup>, your check date will roll back to Friday, May 4<sup>th</sup>. If this describes your situation and you have direct deposit, we need your payroll information before 3:00 pm on Wednesday, May 2<sup>nd</sup>.

▶ May 15<sup>th</sup> falls on a Tuesday. If you normally date your checks for the 15<sup>th</sup> and you have direct deposit, we need your payroll information before 3:00 pm on Friday, May 11<sup>th</sup>.

▶ May 20<sup>th</sup> falls on a Sunday. If you normally date your checks for the 20<sup>th</sup>, your check date will roll back to Friday, May 18<sup>th</sup>. If this describes your situation and you have direct deposit, we need your payroll information before 3:00 pm on Wednesday, May 16<sup>th</sup>.

▶ **Monday, May 28, 2012, is Memorial Day, a national holiday. Pay-Net will be closed that day. Please take this date into consideration as you prepare your payroll information.**

**Health Care Revisited:** More provisions of the Health Care law come into effect in 2012. Probably the most important provision to most clients is the reporting of employer provided health care for employees on the W2 Forms.

Basically, as we understand the regulations, only employers with more than 250 W2 Forms are required to report the health care costs on the W2 forms. Notice that we said “250 W2 Forms” NOT 250 employees. If you have a business that has high turnover, you may have less than 250 employees, but more than 250 W2 Forms at the end of the year. Employers with less than 250 W2 Forms can voluntarily report the health care costs.

Both employee and employer costs are to be reported in Box 12 with a “DD” code. Any postings to this code will not increase an employee’s tax burden, but will only serve as a reporting tool.

If this new regulation fits your company, please contact Pay-Net so that we can coordinate the reporting requirements for you to ensure you are in compliance.

**Payroll Tax Law Revisited:** Last December, Congress was unable to reach a consensus on the extension of the lower employee Social Security rate and other tax issues. As a result, Congress passed a temporary extension of the Payroll Tax law to February 29, 2012.

In February, Congress extended the Payroll Tax Law until December 31, 2012. The basics of the law have not changed including the lower employee Social Security rate.

## **Tax Law Changes for 2012**

- (1) **Trans Pass:** The temporary monthly increase in tax-free transportation fringe benefits for transit passes and travel in qualified commuter vehicles expires in 2012 and reverts to \$125, the Internal Revenue Service said Oct. 20 in a news release. The temporary increase, to \$230 a month for 2011, is effective from Feb. 17, 2009, to Dec. 31, 2011, as part of the American Recovery and Reinvestment Tax Act of 2009. The 2012 monthly limit on the value of qualified transportation benefits exclusion for qualified parking provided by an employer to employees for 2012 raises \$10, to \$240.
- (2) **Exemptions.** The value of each personal and dependent exemption increases to \$3,800 in 2012 from \$3,700 in 2011.
- (3) **Standard deduction.** The 2012 standard deduction is \$11,900 for married couples filing a joint return, up \$300; \$5,950 for singles and married individuals filing separately, up \$150; and \$8,700 for heads of household, up \$200.
- (4) **Adoption-assistance programs.** For taxable years starting in 2012, the amount that can be excluded from an employee's gross income for qualified adoption expenses is \$12,650, down from \$13,170 in 2011.
- (5) **MSAs.** Annual deductible amounts for medical savings accounts (MSAs) are to increase in 2012: \$2,100 to \$3,150 for self-only coverage; \$4,200 to \$6,300 for family coverage; and maximum out-of-pocket expense amounts of \$4,200 for self-only coverage and \$7,650 for family coverage.
- (6) **Pension Plans:** The 2012 limitation on the exclusion for elective deferrals described in Section 402(g)(3)—for 401(k)-type plans, Section 403(b) plans, and Section 457 will be \$17,000 compared with \$16,500 in 2011. Many other pension plan limit amounts will also increase, the Internal Revenue Service said in an information release.

For 2012, the limitation for defined contribution plans under section 415(c)(1)(A) increases to \$50,000 from \$49,000; the general definition of a highly compensated employee increases to \$115,000 from \$110,000; and the definition of a key employee in a "top-heavy plan" increases to \$165,000 from \$160,000. IRS also said that the limited compensation amount under Treasury Regulations and Internal Revenue Code Section 1.61-21(f)(5)(iii) will increase to \$205,000 from \$195,000, and the general annual compensation limit will increase to \$250,000 from \$245,000.

- (7) **Social Security:** The Social Security Old Age Survivor's and Disability Insurance taxable wage base for 2012 increases to \$110,100 from \$106,800, the Social Security Administration said Oct. 19. The maximum 2012 OASDI tax payable by each employee is unknown at this time. The 4.2 percent rate now in effect for employees and has been extended until the end of 2012, and will revert to the 6.2 percent rate for 2013, unless the

federal government acts to extend or change the rate. The employer portion remains at 6.2%.

The SSA also announced a 3.6 percent cost of living increase amount that affects several thresholds for benefits and coverage. The Social Security tax annual coverage threshold amount for domestic employees for 2012 increases to \$1,800, and remains at \$1,500 for election workers.

For the 1.45 percent tax for the Medicare (HI) portion of the Federal Insurance Contributions Act taxes, there is no wage base and all wages earned are subject to HI tax.

**Holiday Schedule:** The following remaining holidays are scheduled for 2011 plus the 2012 holidays. The official “bank holidays” are marked with an “\*”

- ▶ \* Monday, May 28, 2012 – Memorial Day – Pay-Net will be closed
- ▶ \* Wednesday, July 4, 2012 – Independence Day – Pay-Net will be closed
- ▶ \* Monday, September 3, 2012 – Labor Day – Pay-Net will be closed
- ▶ \* Monday, October 8, 2012 – Columbus Day – Pay-Net will be open
- ▶ \* Monday, November 12, 2012 – Veteran’s Day – Pay-Net will be open
- ▶ \* Thursday, November 22, 2012 – Thanksgiving Day – Pay-Net will be closed
- ▶ Friday, November 23, 2012 – Day After Thanksgiving – Pay-Net will be closed
- ▶ \* Tuesday, December 25, 2012 – Christmas – Pay-Net will be closed
- ▶ \* Tuesday, January 1, 2013 – New Years Day – Pay-Net will be closed

**State and Federal Government Team Up to Combat Employee Misclassification:** As many employers have been engaging in attempts to misclassify workers as independent contractors instead of employees, the Labor Department has teamed up with a number of states in an attempt to curb such misclassification, M. Patricia Smith, solicitor of labor, said Nov. 5 at the annual conference of the American Bar Association's Section of Labor and Employment Law. Labor officials have signed memorandums of understanding with the Internal Revenue Service and 11 states, she said.

States seeking to reduce misclassification have linked the efforts of multiple agencies, Smith said. When there is an investigation of an employer's potential legal violation, all the appropriate agencies devote attention to that employer to ensure that it comes into compliance with all workplace laws.

**IRS Issues FAQ's on Voluntary Classification Program:** The Internal Revenue Service released a list of frequently asked questions (clickable link) about its new voluntary classification settlement program.

The program, launched Sept. 21, allows taxpayers to voluntarily reclassify workers as employees for federal employment tax purposes and pay 10 percent of the amount of employment taxes calculated under the reduced rates of Section 3509(a) of the Internal Revenue Code.

Not all workers have to be reclassified as employees, and exempt organizations and government agencies are eligible for the program, IRS said.

Employers that wish to participate in the program must submit Form 8952. The form and instructions are available on the IRS website, [www.irs.gov](http://www.irs.gov).

**Reports Portal Coming Soon:** As previously announced, the Pay-Net Reports Portal is now up and running with a couple of clients actively using the portal.

**What is the “portal”?** The portal is a secure web site where clients can log in and retrieve various reports that have been placed there.

**Why is Pay-Net doing this?** With today’s internet security concerns, Pay-Net will be eliminating the practice of emailing reports to clients. While email is basically secure, it can still be breached by hackers and valuable company/employee data could be compromised. So, instead of emailing reports to clients, these reports will be run and placed into the Reports Portal. Our clients will log into the portal and download the reports.

**Is the Portal secure?** The portal uses the most current SSL encoding to ensure security on the portal. The user will see the common <https://> prompt for the portal. This security is identical to that security used by banks and financial institutions for their client account access.

**What is the time table?** Pay-Net will start the roll out of the portal in February with the goal of having all clients on the portal by June 1<sup>st</sup>. If your company wants to be on the portal quickly, just send an email to [operations@pay-net.net](mailto:operations@pay-net.net) and we will get you setup.

**Self Check Employment Service:** The US Citizenship and Immigration Services division of the Department of Homeland Security has recently opened a “Self Check” web site.

“Self Check” is a voluntary, fast, free and simple service that allows you to check *your* personal employment eligibility in the United States. If any mismatches are found between the information you provide and your Department of Homeland Security or Social Security Administration records, Self Check will inform you of how to correct those mismatches.

Just click on this link to go to the web site: [Self Check website](#)

**Craziest Idea from the IRS:** One of the craziest ideas to come out of the IRS occurred in January during a conference. The IRS wants to go to a “Real-Time Tax System”. Basically, this means that when individuals file their personal income tax returns, the IRS computer system would immediately check the individual’s reported earnings against the total wages in the system.

In order to achieve this goal, the IRS proposal would require earlier, or more frequent wage reporting. The proposal goes as far as to say that W2’s should be filed the first couple of days in January!!

To implement this idea, the entire framework of the financial world would need to change including such items as reporting interest from banks, Third Party Sick Pay, financial statements from brokers, companies would need to report all payroll adjustments before the end of December, etc., etc. There are some 50 types of compensation that would have to be gathered and reported before the end of December.

This idea has been challenged by the NPRC, National Payroll Conference, as being somewhat impractical at this time and would require a lot of regulatory changes.



## *Note from Wayne*

It's been a busy year-end for Pay-Net with all the new laws and, especially, the FUTA Credit Reduction. I want to thank all of our clients for your patience and understanding during the year-end period. And, I want to welcome all the new clients that started processing with us. Looking ahead, I am excited about our new web-based product, Pay-Net Online, or PNO for short. This system is fully integrated with an employee Kiosk, time and attendance system, and a full featured HR system. Also, the roll out of our Reports Portal is exciting. All in all, I am really looking forward to 2012!

*Wayne*