



Welcome to our Forty Third 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. When we sent out the last E-Newsletter, we got over 50 bounce-backs because the email address was no longer valid.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
- 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
- Don (Sales): denck@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.

- ▶ 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.

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

▶ March 31st falls on a Tuesday. 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 Friday, March 27th.

▶ April 5th is on a Sunday. If you normally date your checks for the 5th, your check date will fall back to Friday, April 3rd. If this applies to you and you have direct deposit, we will need your payroll information by 3:00 pm on Wednesday, April 1st – No Fooling!

▶ April 20th falls on a Monday. If you normally date your checks for the 20th, and you have direct deposit, we will need your payroll information by 3:00 pm on Thursday, April 16th.

2009 Holiday Schedule: The following remaining holidays are scheduled for 2009. The official “bank holidays” are marked with an “*”

- ▶ * Monday, February 16, 2009 - President's Day – Pay-Net 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

Economic Stimulus Package and Payroll: Are you aware that the proposed Economic Stimulus Package has many “features” that will have an impact on Payroll? Such items as the “Making Work Pay” tax credit, the COBRA changes, and other proposals will have a direct effect on how your company's payroll is calculated, reported, and taxes paid. These changes may require a significant change in payroll software. Please rest assured that Pay-Net's software will be quickly modified to reflect any and all changes that affect the payroll and payroll tax process and reporting procedures. Stay tuned, we are following the developments as they unfold in Congress and we will keep you advised of the progress.

Reminder of the 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 November 1, 2008, 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.

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.

California's SUI Problem: Perhaps, you read in the local papers that California's SUI fund was depleted of money and would have to borrow money from the Federal Government to pay unemployment claims. The figures they quoted were around \$8 **BILLION!**

Guess who gets to pay this? And, if you guessed that it was your company, you are correct. Please allow us to explain the details.

The Federal Government collects unemployment money from companies in the form of the FUTA tax (Federal Unemployment Tax Act), which is generally calculated at 0.8% of the first \$7,000 paid to an employee, or \$56.00 per employee per year (*). This money goes into a fund that the states can borrow against in case their unemployment fund cannot cover claims.

When a state borrows from the FUTA fund, if they can repay the federal government by November 10th of that year, the state will not pay any interest on the funds borrowed. However, if a state cannot pay their liability, then the federal government (IRS) can declare a "credit reduction" for that state for that year, usually in December. This "credit reduction" is an increase in the FUTA tax liability for a company that must be paid by the end of January of the following year.

In the last 20 years, I can only recall two times that we have had a "credit reduction" on the FUTA tax return (Form 940) and one time was Michigan in 1992 and the other time was for New York in 2004 and 2005. In the case of New York, employers had to pay an additional 2.2% FUTA tax for their employees. So instead of costing the employers \$56.00 per employee, it cost them \$159.60 per employee – a 285% increase in FUTA taxes! For a company with 20 employees, this was a total of over \$2,000 in additional tax monies that had to be paid!

Presently, there are 18 states plus the District of Columbia are experiencing a problem with their SUI fund. Also, there are 7 states that have outstanding loans from the FUTA account including California.

Now, if California has to borrow an additional \$8 billion dollars, you can imagine how much that is going to cost the employers in this state, assuming California cannot repay the loan from the federal government! According to the latest statistics from the EDD, the number of people employed in California is 16.9 million. This means that the "tax credit" could be about \$475 per

employee, if all the figures are correct. This money is in addition to the SUI amounts that we are now paying to the state!

(*) Okay, for all you payroll professionals, we know that the FUTA tax is not 0.8%. Technically, the FUTA tax is 6.2% and a company can get a 5.4% tax reduction for timely SUI payments to their state. The result (6.2% - 5.4%) equals 0.8%. So, technically, the FUTA tax rate should be expressed as a *net tax rate* of 0.8%

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.

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 that we have 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.

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!

Employee W4 Forms:

Each year, employers must have their employees complete a new W4 form for the current year. These W4 forms are to be completed by the end of February. If you want a copy of the latest W4 form to give to your employees, a copy is available on our web site at www.pay-net.net.

Note from Wayne



What a Year End we had. With the economic news, our new President’s inaguration, and 28,000 W2’s printed, folded and out the door! Yes, I am really glad it’s over. This was my 29th Year End, and I’m actually looking forward to my 30th! I am really excited about our new software program. Now, our clients that have extensive HR requirements can have a completely integrated package of Payroll and Human Resources. By the middle of summer, we anticipate having a fully functional “Employee Kiosk” system up and running. This system goes

far beyond a typical Employee Self Service system (ESS), by adding the ability of employees to request W4 changes, or change Medical plans at enrollment time, and many other features, all on line! It’s a real thrill watching our software quickly evolve into areas that will benefit a lot of our Clients. Stay tuned and see what we can accomplish.

A handwritten signature in black ink, appearing to read "Wayne". The signature is stylized and cursive.