



Welcome to our Forty Fourth 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 When we sent out the last E-Newsletter, we got over 50 bounce-backs because the email address was no longer valid.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 |
| 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.

- ▶ 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.
- ▶ May 5th falls on a Tuesday. 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, May 1st.

▶ **Monday, May 25th, is the Memorial Day Holiday. This holiday is a banking holiday and Pay-Net will be closed that day. Please take this into account as you prepare your payroll information. Clients with a Monday check date will roll back to Friday, the 22nd. Clients with direct deposits and a Monday, Tuesday, or Wednesday check dates will have to come in a day earlier.**

▶ The end of May (the 31st) falls on Sunday. If you normally date your checks for the end of the month, your check date will roll back to Friday, the 29th. If this is applicable to your company and you have direct deposit, we will need your payroll information before 3:00 pm on Wednesday, May 27th.

▶ June 1st falls on Monday. If you normally date your checks for the 1st and you have direct deposit, we will need your payroll information before 3:00 pm on Thursday, May 28th.

▶ June 15th also falls on 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, June 11th.

▶ June 20th falls on Saturday. If you normally date your checks for the 20th and you have direct deposit, we will need your payroll information before 3:00 on Wednesday, June 17th.

▶ June 30th, the last day of June, 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, June 26th.

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

- ▶ * 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: The final language of the American Recovery and Investment Act (H.R. 1), which President Obama signed Feb. 17, contains several payroll-related provisions that will be effective for the rest of 2009:

• **Federal income tax withholding tables were changed to account for the "Making Work Pay" tax credit. The bill calls for a \$400 credit to be applied to individuals for 2009 and 2010 (\$800 for joint filers). The credit phases out at higher incomes. Employees would receive the benefit through a reduction in the amount of federal income tax withheld from pay. For 2009, the Internal Revenue Service is instructed to factor in the full annual benefit in the revised 2009 withholding tables. The "revised income tax withholding tables would be designed to reduce taxpayers' income tax withheld for the remainder of 2009 in such a manner that the full annual benefit of the provision is reflected in income tax withheld during the remainder of 2009," a House-Senate conferee statement said.**

- Payroll will play a large role in implementing the provision that will have the federal government subsidize health premium payments under COBRA to those involuntarily terminated from employment. The bill provides a subsidy equal to 65 percent of the cost of nine months' worth of COBRA health insurance premiums for workers involuntarily separated from employers after Aug. 31, 2008, and before Jan. 1, 2010. Employers would be required to use employment tax money withheld from existing employees to make the COBRA payments directly to insurers instead of remitting those amounts to the federal government. Employers would be eligible to receive a federal cash payment if reducing withholding-tax remittances do not cover the subsidy. There is an income threshold as a condition the entitlement of the subsidy.
- To be effective for 2009, the maximum tax-free amount employers can provide employees for subsidizing public transportation will increase to \$230 a month, matching the monthly employer-provided parking tax-free fringe benefit amount.
- Other provisions of interest to payroll: the Earned Income Tax Credit will be expanded to account for families with three or more children, federal taxation of unemployment benefits will be suspended temporarily, two new targeted groups of prospective employees are added for the Work Opportunity Tax Credit, and cuts to federal funding for state administration of child support programs will be repealed.

As a side note to the Stimulus Bill:

- Pay-Net's software was updated in February with the new Federal withholding tables within hours of release. All payrolls processed since March 23rd, have used these new tables.
- Pay-Net's software has been updated to handle the new COBRA rules stated above. We can completely track the employer contributions to COBRA payments, reduce tax drafts, reduce tax deposits following the IRS regulations, and correctly complete the new Form 941.

New I-9 Form: On December 18, 2008, the U.S. Citizenship and Immigration Services (USCIS) published new rules to streamline the *Employment Eligibility Verification Form I-9*. The effective starting date was February 2, 2009. By that date, all employers were supposed to use the I-9 form for each new hire to verify the employee's right to work in the United States.

But, on January 30, 2009, the USCIS did an abrupt twist and extended the effective date for using the new I-9 until April 3, 2009. *Reason:* The USCIS and the new Obama administration wanted time to consider additional changes.

So until April 3, all employers hiring new employees must continue using the current version of the I-9. That version is dated June 5, 2007.

The new form (for use April 3 and after) and the current form (in use since 2007) look almost identical. So, the next question: How can you know which I-9 form is which? Here's where to find the nearly hidden identification:

- **Before April 3, 2009.** Use the form that has "Form I-9 (Rev. 06/05/07)" located in small type in the bottom right corner of the form.

- **April 3, 2009, and after.** Use the form that has "Form I-9 (Rev. 02/02/09)" located in small type in the bottom right corner of the form. The new form reflects the new rules, which no longer allow an employer to accept expired U.S. passports and expired drivers' licenses to verify employment authorization.

Both versions of the I-9 Form are available on our web site under Employer Resources > Employer Forms.

IRS News Released on Form W-5: As you are probably aware, the Stimulus Bill changed the Earned Income Credit for tax payers. As an extension of this, the payroll implication of Advanced Earned Income Credit, also was modified, changing the gross income an individual, or couple, can earn and receive AEIC. The employees must complete a Form W5 to be eligible for AEIC (this form can be found on our web site under Employer Resources).

However, the IRS has decided NOT to modify the W5 Form to reflect the changes. Instead, the IRS has requested that the employers "adjust" the form to reflect:

"On Page 1 of the instructions for Form W-5, the third item under 'Who Is Eligible to Get Advance EIC Payments' should say that the AGI must be less than \$40,463 (up from \$38,583) for married couples filing jointly to qualify for the credit.

On Page 2, Question 3 should read: 'Do you expect that your 2009 earned income and AGI will each be less than: \$35,463 (\$40,463 if married filing jointly) if you expect to have 1 qualifying child; \$40,295 (\$45,295 if married filing jointly) if you expect to have 2 qualifying children; or \$43,279 (\$48,279 if married filing jointly) if you expect to have 3 or more qualifying children?'

Also on page 2, under the 'Yes' answer to question 3, the AGI amount is now \$40,463 for married filing jointly, up from \$38,583."

Electronic Transfers for Child Support Garnishments: For many years now, the California rules for payment of Child Support Garnishments have required electronic funds transfers. However, the state left the "process" up to each individual county. Through these years, only one county in California established the process. So, in practice, companies could not make their garnishment payments electronically. Our software has had the capability of making these deposits electronically, but the counties never established the procedures.

Now, things are changing. The California State Disbursement Unit has established rules and requirements for the electronic transfer of funds for these garnishments. Basically, the department has ruled that any company required to deposit California payroll taxes electronically must also make child support garnishment payments electronically.

The department has setup a new web site at: https://www.casdu.com/CAS_SDU/ to handle questions, allow employers to enroll in the program, and provide a means to electronically make these payments.

However, in their haste to setup this program, the department forgot that most businesses use a payroll service to handle these types of transactions as part of the payroll service. When I called the SDU (standing for State Disbursement Unit) to inquire about payroll companies doing electronic payments for their clients, I received the equivalent of a "blank stare". I was informed that Pay-Net was the second payroll company to inquire about this and the department would have to get back to me. It appears that their entire system is geared to the individual company.

So, until we can find out more information, each company must enroll in the state system and handle the deposits themselves. We hope that the state can move quickly to setup a process and procedure whereby Pay-Net can make these deposits for you and relieve you of this burden.

By the way, you may ask which companies this affects? Any company that has over \$20,000 per year in California payroll tax liabilities is required to make their deposits electronically. You can look at your annual DE-7 form that we sent you as part of your year end package and you can see what your total California payroll liabilities were for last year. For your information, Pay-Net makes all California deposits electronically regardless of a client's actual liabilities.

Potential Problems with New Federal Income Tax Withholding: As you are aware, the income tax withholding tables were changed in March to reflect the new rules under the Stimulus Bill. However, now the IRS has released this announcement:

Employees with multiple jobs or married couples whose combined incomes place them in a higher tax bracket may experience a shortage of federal withholding and they can submit a revised W-4 that tells the employer how much money to withhold each paycheck. To recalculate withholding, filers should use Worksheet 12 in the updated Publication 919.

Publication 919 can be found on the IRS web site, or it can be downloaded from Pay-Net's web site at: <http://www.pay-net.net/docs/p919.pdf> (clickable link).

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.

Exciting New Software Features Are Here: Did you know that our software could now handle complete Human Resource requirements including Applicant Tracking? Did you know by summer, we will have an "Employee Kiosk" feature with complete Employee Self Service? These are exciting times for us as our software evolves into a complete Payroll and Human Resource package that can handle the complex requirements of both functions.

To read more about our some of the 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”.

Correction to Information Contained in February’s ENewsletter:

My thanks to a client that pointed out that there was a mistake in the wording in the “Employee W4 Form” section. It is no longer an IRS requirement that each employee complete a new W4 Form each year. Instead, the IRS **strongly recommends** that each employee complete a new W4 Form each year.

Note from Wayne



It’s been an interesting new year for our company. Changes in the economy have adversely affected almost every client of ours. Our new President and Congress have introduced an enormous amount of legislation that affects our business and your business. And, to top it all off, a major nation-wide competitor has made efforts to entice our clients to their service by offering tremendous financial incentives. While we are having our own problems with the economy and changing rules and regulations, we cannot begin to offer financial incentives to clients like this company can. The

good news is that many of our clients that left us have returned. It seems that the financial incentives did not offset the lack of customer service and lack of system functionality they experienced. I heard the stories about phone calls being returned days later, not hours, but days! Clients complained that their system could not do simple time off accruals or 401(k) tracking and reporting, without a huge additional cost! The clients told me that the financial incentives could not make up for the lack of service and the limitations of their product. Yes, we offer the best customer service in our industry, the best product in our industry. Sometimes the grass is really not greener on the other side. I welcome these returning clients and promise them the best customer service and the best product , all for a very competitive price.

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