



Welcome to our Fifty Sixth 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 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 .

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 . 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 When we sent out the last E-Newsletter, we got over 50 bounce-backs because the email addresses were no longer valid.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): wayne@pay-net.net
- Hollis (General Manager): hlee@pay-net.net
- Gloria (Operations Mgr): gbal@pay-net.net
- Becky (Operations): rbaker@pay-net.net
- Paula (Operations): pmowry@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 5th falls on a Monday. If you normally date your checks for the 5th and you have direct deposit, we need your payroll information before 3:00 pm on Thursday, December 1st.
- ▶ December 20th falls on a 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 Friday, December 16th .

▶ **Monday, December 26th, is a national holiday in recognition of Christmas. Pay-Net will be closed this day. Please take this day into consideration as you prepare your payroll information. The Federal Reserve Rules state that if a national holiday falls on a Sunday, the following Monday will be recognized for the holiday. However, if the holiday falls on a Saturday, there will be no recognition of any other day.**

▶ If you normally date your checks on Tuesday or Wednesday, the 27th or 28th, and you have direct deposit, because of the Monday holiday, we need your payroll information one day earlier, by 3:00 pm.

▶ Please watch your calendar for payroll dates around the end of December. If you normally date your checks for the end of a month, or the first of the month, your check date will roll back to Friday, December 30, 2011. If you have direct deposit, we need your payroll information by 3:00 pm on Wednesday, December 28th.

▶ **Monday, January 2, 2012, is a national holiday for New Years. Pay-Net will be closed this day. Please take this day into consideration as you prepare your payroll information.**

▶ **For those companies that date their checks for the first of the month, you have a decision to make. Do you want the system to roll your check date backwards to 2011, or do you want your check date to be January 3, 2012. Since the system will roll your check date back, you don't need to do anything. However, if you want your check date to fall into 2012, you must contact us to change your calendar to ensure this will happen.**

▶ January 15, 2012, falls on a Sunday, AND the next day, Monday the 16th is a Holiday. If you normally date your checks for the 15th, your check date will roll back to Friday, January 13, 2012. If this affects your company and you have direct deposit, we need your payroll information before 3:00 pm on Wednesday, January 11, 2012.

▶ **Monday, January 16, 2012, is a national holiday, Martin Luther King Day. Although Pay-Net will be open on that day, all banks, government agencies, schools, etc. will be closed. If you normally date your checks for the 17th or 18th (or Monday, Tuesday or Wednesday), and you have direct deposit, we will need your payroll information one day earlier. For clients that date their checks for Monday (or the 16th), your check date will roll back to Friday, January 13th.**

▶ January 31, 2012 falls on a Tuesday. If you normally date your checks for the end of the month, we need your payroll information before 3:00 pm on Friday, January 27, 2012.

▶ February 5, 2012, falls on a Sunday. If you normally date your checks for the 5th, your check date will roll back to Monday, February 3rd, and, if you have direct deposit, we will need your payroll information before 3:00 pm on Wednesday, February 1, 2012.

▶ **Monday, February 20, 2012, is President's Day, a national holiday. If you normally date your checks for the 20th (or on Monday), your check date will roll back to Friday, February 17th. If this affects your company, and you have direct deposit, we need your payroll information before 3:00 pm on Wednesday, February 15th.**

▶ March 5, 2012, falls on a Monday. If you normally date your checks for the 5th and you have direct deposit, we need your payroll information before 3:00 pm on Thursday, March 1st.

Critical Year End Items and Dates:

November/December – The various state governments will send you the revised SUI and, if applicable, the ETT rates for 2012. Please be sure to send us a copy of these notices.

November/December – The IRS will send you a letter if your deposit frequency changes for 2012. Please be sure to send us a copy of these notices. Also, since the IRS will not communicate with Pay-Net regarding any change in your depository requirements, Pay-Net cannot be held responsible for any penalties and/or interest the IRS may charge if you do not send us a copy of this notice.

Thursday, December 29, 2011 – the last day to enter payroll information for 2011. Any information reported after this day may be charged for a quarterly reprocessing fee. Please be sure that all manual checks, special items such as PUC's, fringe benefits, etc. you want to appear on the W2 Forms are reported on, or before, this date. If you want Pay-Net to delay your W2's for such items as Third Party Sick Pay, or Allocated Tips, please notify us before December 29th.

Friday, December 30th through Monday, January 2nd – Pay-Net will be calculating and printing W2 Forms.

Monday, January 23, 2012 – All Year End packages should be in your hands, unless you have requested a reprocess due to additional information that must appear on the W2 Forms.

Tuesday, January 31, 2012 – W2's have to be handed out, or mailed on this day. All Quarterly and Year End Tax Returns have to be sent to the various governmental agencies.

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Proposed Jobs Bill Contains Several Payroll Tax Cuts: A \$447 billion package of tax cuts and tax incentives intended to spur hiring and job growth, including extending the payroll tax cut, was proposed September 8th by President Obama.

The proposal, known as the American Jobs Act, includes a provision to extend and expand the payroll tax cut for workers, which the White House estimates would provide a \$1,500 break for the average working family. The bill also would completely eliminate payroll taxes for new hires; provide a \$4,000 tax credit to companies that hire the long-term unemployed; extend unemployment insurance; and cut by half the payroll taxes paid by employers on the first \$5 million of payroll, which the White House said would target 98 percent of companies that have payroll amounts that are less than the threshold.

FUTA Credit Reductions: As you are already aware, there are 21 states that will experience the "FUTA Credit Reduction" in 2011. More information will be forthcoming as soon as we receive the IRS final regulations.

Critical Items For Year End:

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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 \$6,826.20, or 6.2 percent of the wage base. (The 4.2 percent rate now in effect for employees is scheduled to expire Dec. 31, 2011, and will revert to the 6.2 percent rate for 2012, unless the federal government acts to extend or change the rate.) The employer matches the amount with an equal contribution.

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.

E-Verify Requirement?: There are two bills recently introduced in the House that would expand the use of the e-Verify system, the federal government's voluntary employment screening program. Both of the bills would require the use of e-Verify for all new hires by US employers. The bills also include several changes to the Form I-9 employment verification process.

Currently, there are several states, including Arizona and Georgia, that have already passed laws requiring all employers to use the e-Verify system. Plus, there are 11 other states that have pending legislation requiring the use of e-Verify.

Pay-Net is exploring the possibility of offering this service to our clients. Watch for future announcements from us.

Latest Update:

The Legal Workforce Act (H.R. 2885), a bill that would require the use of E-Verify for all new hires by U.S. employers, was approved Sept. 21 by the House Judiciary Committee. The bill was introduced by Judiciary Committee Chairman Lamar Smith (R-Texas).

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

- ▶ * Monday, December 26, 2011 – Christmas Day observed – Pay-Net will be closed
- ▶ * Monday, January 2, 2012 – New Years Day observed – Pay-Net will be closed
- ▶ * Monday, January 16, 2012 – Martin Luther King Day – Pay-Net will be open
- ▶ * Monday, February 20, 2012 – President's Day – Pay-Net will be open
- ▶ * 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

Employer-Provided Cell Phones: Employers no longer need to account for the business use of employer-provided cell phones for it to be treated as a tax-free working-condition fringe benefit according to Notice 2011-72 issued by the IRS on September 14th. The value of an employee's use of a cell phone, when related to the employer's trade or business, is to be excluded from the employee's income.

In addition, the value of any personal use of a cell phone provided by the employer primarily for noncompensatory business purposes is generally excludable from the employee's income as a de minimis fringe benefit. The only exception is that the guidance does not apply to employer-provided cell phones, or cell phone reimbursements, that are not primarily related to business according to the IRS Information Release 2011-93.

IRS Publishes High-Low Per Diem Rates: Effective Oct. 1, 2011, the per diem rate for travel to any high-cost locality increases to \$242 from \$233, and the rate for travel to any other locality within the continental United States (CONUS) increases to \$163 per day from \$160 per

day, the Internal Revenue Service said Sept. 30 in Notice 2011-81. The \$242 amount translates to \$177 for lodging and \$65 for meals and incidental expenses, and the \$163 amount translates to \$111 for lodging and \$52 for meals and incidental expenses.

No localities were added to the list of high-cost localities for 2011-2012, IRS said. These localities were removed: Phoenix and Scottsdale, Ariz.; South Lake Tahoe, Calif.; Silverthorne and Breckenridge, Colo.; Riverhead, Ronkonkoma, and Melville, N.Y.; and Stowe, VT

The special meals and incidental expenses rates for the transportation industry are \$59 for any CONUS travel location and \$65 for any travel location outside the continental United States, IRS said.

IRS also released Rev. Proc 2011-47 which provides rules for using a per diem rate rather than actual expenses to substantiate the amount of ordinary and necessary business expenses paid or incurred while traveling away from home. In response to taxpayer comments, the revenue procedure continues to authorize the high-low substantiation method.

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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.

Five States to Increase Minimum Wage in 2012: Five states recently announced plans to increase hourly minimum wage rates starting Jan. 1, 2012: Colorado, to \$7.64 an hour from \$7.36 an hour; Montana, to \$7.65 from \$7.35; Ohio, to \$7.70 from \$7.40; Oregon, to \$8.80 from \$8.50; and Washington state, to \$9.04 from \$8.67.

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 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](#)



Note from Wayne

It's been a busy year for Pay-Net. I wish that we could report record revenues, but we have suffered just like most of our clients. Our costs have increased but our revenues are the same as three years ago. I am hoping that the economy will continue to improve and make next year a better year for everyone. On behalf of the staff at Pay-Net, I want to wish all of you a very Merry Christmas and a Happy New Year!

Wayne