



Welcome to our Sixtieth 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 When we sent out the last E-Newsletter, we got over 50 bounce-backs because the email addresses were no longer valid.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. We would like to introduce our newest Customer Service Representatives, Veronica and Valerie.

- Wayne Lee (Owner): [wayne@pay-net.net](mailto:wayne@pay-net.net)
- Hollis (General Manager): [hlee@pay-net.net](mailto:hlee@pay-net.net)
- Gloria (Operations Mgr): [gbal@pay-net.net](mailto:gbal@pay-net.net)
- Becky (Operations): [rbaker@pay-net.net](mailto:rbaker@pay-net.net)
- Veronica (Operations): [vmunoz@pay-net.net](mailto:vmunoz@pay-net.net)
- Valerie (Operations): [vpeterson@pay-net.net](mailto:vpeterson@pay-net.net)
- Anna (Tax Manager): [atudor@pay-net.net](mailto:atudor@pay-net.net)
- Ivan (Technical): [idiaz@pay-net.net](mailto:idiaz@pay-net.net)
- General Communication: [operations@pay-net.net](mailto:operations@pay-net.net) (this will be forwarded to the appropriate Person)
- Jaime (Sales): [jlee@pay-net.net](mailto:jlee@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](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.

**► Monday, October 8, 2012, is a national holiday, Columbus Day. Pay-Net will be open on that day, but all banks, schools, and governmental offices will be closed. If you normally date your checks on a Monday, Tuesday, or Wednesday, and you have direct deposit, we need your payroll information a day earlier.**

▶ October 15<sup>th</sup> is on a Monday. 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 Thursday, October 11<sup>th</sup>.

▶ October 20<sup>th</sup> is on a Saturday. If you normally date your checks for the 20<sup>th</sup>, your check date will roll back to Friday, the 19<sup>th</sup>. If this affects you, and you have direct deposit, we need your payroll information before 3:00 pm on Wednesday, October 17<sup>th</sup>.

▶ November 5<sup>th</sup> 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, November 1<sup>st</sup>.

▶ **Monday, November 12, 2012, is a national holiday, Veteran's Day. Pay-Net will be open on that day, but all banks, schools and governmental offices will be closed. If you normally date your checks on a Monday, Tuesday, or Wednesday, and you have direct deposit, we need your payroll information a day earlier.**

▶ November 20<sup>th</sup> 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, November 16<sup>th</sup>.

▶ **Thursday, November 22<sup>nd</sup>, is Thanksgiving Day, and a national holiday. Pay-Net will be closed that day.**

▶ **Friday, November 23<sup>rd</sup>, is "Black Friday". While not a national holiday, Pay-Net WILL BE CLOSED on that day. You can date your checks and direct deposits for this day, but process your payroll earlier in the week.**

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

- ▶ \* 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 Year's Day – Pay-Net will be closed

### **What The Health Care Decision Means for Your Small Business:**

By Emily Maltby [@The Wall Street Journal](#), June 28, 2012

**The Supreme Court decision Thursday upholds the Affordable Care Act. But as a small-business owner, you may wonder what that means for you.**

**Most of the law's key provisions are set to take effect roughly two years from now, on January 1, 2014.**

**Based on the ruling, all individuals-including small-business owners-must have health insurance starting in 2014, or pay a penalty.**

**Certainly, the cost of health insurance has become a significant issue for small firms over the past decade.**

Overall, about 71% of firms with 10 to 24 employees offered health insurance in 2011, compared with 77% in 2001, according to a 2011 Kaiser Family Foundation survey. Of firms with three to nine workers, just 48% offered insurance in 2011, compared with 58% in 2001.

The high-profile decision is a blow to the National Federation of Independent Business, a Washington, D.C., lobbying group that joined 26 states in fighting the mandate. The NFIB argued that small businesses would suffer if the owners of those entities had to pay for their own health insurance. The NFIB spent more than \$1.2 million on the lawsuit in 2010 alone, according to disclosures.

Here's a look at how you might be affected:

**Q. What if I am a one-person business?**

**A. The impact for sole-proprietors and others with no employees will be much like the impact on individuals.**

For people in this group, the crux of the 2014 rollout is the individual mandate, which requires all U.S. citizens and legal residents to have health coverage or pay a penalty.

You, as a one-person business, would buy insurance through your state's benefits exchange that will roll out in 2014.

There are some exemptions, however, such as those from certain religious backgrounds and those who are eligible for the so-called "hardship exemption" if the cost of the annual premium exceeds 8% of household income.

There are penalties intended to ensure compliance. The top penalty for individuals, once fully phased in, for not having insurance is \$695 or 2.5% of income--whichever is greater.

**Q. I have employees or may be hiring. What provisions impact me?**

**A. If you have employees, the health-care provisions are a bit more complicated.**

Since 2010, firms with fewer than 25 full-time equivalent employees have been eligible for a tax break if you cover at least half the cost of health insurance. (Full-time equivalent is the number of employees on full-time schedules plus the number of employees on part-time schedules, converted to a full-time basis.)

But only if you have fewer than 10 full-time equivalent employees and average salaries of \$25,000 or less is your firm eligible for the full credit. Today, that full credit is 35% of your contribution toward an employee's insurance premium. As your firm size and average wage amount goes up, the tax credit goes down. And once your business hits 25 full-time equivalent employees or \$50,000 in average salaries, the credit is completely phased out.

**Q. What happens to the tax credits going forward?**

**A. In 2014, the state-based Small Business Health Options Program Exchanges will be open to small firms. And getting insurance through those exchanges could bump the maximum tax credit to 50% of your contribution, up from the current 35%.**

But the tax credits won't last. The credit is only available for a maximum of five years and only two years once the exchanges are up and running.

**Q. Will I have to provide health insurance to my employees in 2014?**

**A. No firm is mandated to provide insurance, but in 2014, only the smallest businesses will be exempt from penalties if they don't.**

**Q. What are the penalties and under what circumstances would I be exempt?**

**A. Once your firm reaches 50 full-time equivalent employees, a penalty will kick in if you fail to provide coverage for employees who average 30 or more hours a week in a given month. The penalty is \$2,000 for each full-time employee in excess of 30 full-time employees. There are no penalties if part-time employees aren't offered coverage.**

**A key factor in calculating the penalty is that the equation isn't based on full-time equivalents, but rather on actual full-time employees. That means some businesses that are subject to the penalty may end up owing nothing.**

**Here's a basic example: Say your firm has 25 full-time employees and 50 half-time employees that, combined, equal 25 full-time equivalents. Your firm, in effect, has 50 full-time equivalents and would be subject to the penalty if you don't provide health-care coverage. However, your penalty cost likely would be zero because the \$2,000 tally starts at the 31st full-time employee and you only have 25 full-time employees.**

**Q. What should I know about getting insurance for my employees?**

**A. You can't just buy any old insurance to avoid the penalty. You have to provide so-called "minimum essential" and "affordable" coverage.**

**Minimum essential coverage means covering 60% of the actuarial value of the cost of the benefits. And affordable means the premium for the coverage of the individual employee cannot exceed 9.5% of the employee's household income.**

**If the coverage you offer is unaffordable, qualifying employees can get subsidized coverage through the tax credit on the state exchanges. In such a case, you will have to pay the lesser of \$3,000 per subsidized full-time employee, or the \$2,000-per-employee penalty after the first 30 full-time employees.**

**News About the I-9 Form:** The U.S. Citizenship and Immigration Services sent this bulletin on 08/13/2012: Until further notice, employers should continue using the Form I-9 currently available on the forms section of <http://www.uscis.gov>, or on our web site at <http://www.pay-net.net/docs/i-9.pdf>. This form should continue to be used even after the OMB control number expiration date of August 31, 2012 has passed. USCIS will provide updated information about the new version of the Form I-9 as it becomes available.

Employers must complete Form I-9 for all newly-hired employees to verify their identity and authorization to work in the United States.

**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.

**News from the State of California:** The state has issued a couple of news announcements:

- (1) The EDD issued the Employment Determination Guide (DE38) to help business owners determine whether a worker is an employee or an independent contractor. Here is a clickable link to the DE38: [http://www.edd.ca.gov/pdf\\_pub\\_ctr/de38.pdf](http://www.edd.ca.gov/pdf_pub_ctr/de38.pdf)
- (2) An initiative to combat Fair Labor Standards Act violations in the San Francisco area's restaurant industry was launched April 2, 2012, by the Federal Labor Department's Wage and Hour Division. Investigations conducted over a 5 year period found violations at 68% of the restaurants that resulted in more than \$2.1 million in minimum wage and overtime back wages owed to nearly 2,500 employees. Currently, the investigators are making unannounced visits to restaurants in the LA County area.
- (3) In a recent ruling, the California Supreme Court ruled that employer must still relieve employees of all duties during a designated meal period, but are not required to ensure that no work is conducted during the time to avoid penalty. State law grants employees who work more than 5 hours a day a 30 minute meal break. If the employee works less than 6 hours a day, the break period can be waived by mutual consent. Employees working more than 10 hours a day are entitled to a second 30 minute break, which can be waived by mutual consent when employees work up to 12 hours a day.

**Report Portal Is Here:** As previously announced, the Pay-Net Report Portal is now up and running with most of our clients actively using the portal. In fact, almost 96% of our clients will receive their Third Quarter, 2012, reports by the Report Portal.

**We are constantly asked why we are doing this? With today's internet security concerns, Pay-Net has eliminated the practice of emailing reports to clients. While email has been fairly secure in the past, recent history shows it can still be easily breached by hackers and valuable company/employee data could be compromised. Plus, we have been alerted that hackers have "discovered" that payroll companies have a treasure house of information that identity thieves could exploit. Earlier this year, an attack on Ceridian resulted in several clients losing money. This summer, a payroll company in the Midwest had their email system compromised.**

**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 the security used by banks and financial institutions for their client account access.**

**Medicare Issue for 2013:** As some of you are aware, barring any action by Congress or the Courts, the Medicare rate will increase for high income taxpayers next year. Effective January 1, 2013, the employee Medicare tax rate will remain the same (1.45%) up to a threshold. The threshold for single tax payers is \$200,000 and for married filing jointly it will be \$250,000. After the taxpayer reaches the threshold, the rate jumps up to 2.35%. The employer rate will remain constant at the current 1.45%.

For sole proprietors, the current Medicare tax rate is 2.90%. After a sole proprietor reaches the threshold, their Medicare tax rate will increase to 3.8%.

Another provision of the law provides a Medicare tax rate increase on investment income where earnings above the threshold will result in a Medicare tax rate of 3.8%.

Pay-Net is on top of this issue and our software will be ready for the new rates. We are waiting on IRS guidelines and form instructions.

**Withholding Changes for 2013:** The Federal Withholding Tables are set to change dramatically on January 1, 2013, barring the lack of action on the part of Congress. At issue are the “Bush Era Tax Cuts” which are set to expire at the end of December. If Congress does nothing, then the tax cuts will expire and personal withholding will increase. In some cases, the increase will be dramatic, experts forecast the increase could be as much as \$6,000 per year for the average, middle class person. Pay-Net is monitoring the situation and will advise our clients of the outcome.



### *Note from Wayne*

With the election fast approaching, the voters will determine the direction of our country for the next four years. Whether you are in favor of one party or the other, it is up to you to decide these important issues facing us. The economy, job creation, and the deficit spending of our government are all important issues for us to consider. I encourage everyone to register to vote and have your voice heard in Congress and the White House. Let's all try to elect the best possible candidates for these important positions of leadership.

A handwritten signature in cursive script, appearing to read "Wayne". The signature is written in black ink and is positioned below the "Note from Wayne" text.