



Welcome to our Sixty First 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 anywhere from once or twice a year to eight times a year just depending on how many important issues arise. 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 When we sent out the last E-Newsletter, we got over 30 bounce-backs because the email addresses were no longer valid.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](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.

- ▶ August 20, 2013 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 3:00pm on Friday, August 16<sup>th</sup>.
- ▶ August 31<sup>st</sup> (last day of August) falls on a Saturday, and September 1<sup>st</sup> falls on Sunday. If you normally date your checks for the end of the month or the first of the month, your check

date will roll back to Friday, August 30, 2013. If this describes your situation and you have direct deposit, we need your payroll information before 3:00pm on Wednesday, August 28<sup>th</sup>.

▶ **Monday, September 2, 2013, is the Labor Day Holiday. All banks, governmental offices, schools, AND Pay-Net will be closed that day. Please take this into account as you prepare your payroll information.**

▶ If you would normally date your checks for Monday, September 2<sup>nd</sup>, because of the holiday, your check date will roll backwards to Friday, August 30<sup>th</sup>. If this describes your situation and you have direct deposit, we need your payroll information before 3:00pm on Wednesday, August 28<sup>th</sup>.

▶ If you normally date your checks for Tuesday, September 3<sup>rd</sup>, and you have direct deposit, we will need your payroll information before 3:00pm on Thursday, August 29<sup>th</sup>.

▶ If you normally date your checks for Wednesday, September 4<sup>th</sup>, and you have direct deposit, we will need your payroll information before 3:00pm on Friday, August 30<sup>th</sup>.

▶ September 15<sup>th</sup> falls on a Sunday. If this describes your company, your check date will roll back to Friday, September 13<sup>th</sup>. If you have direct deposit, we need your payroll information before 3:00pm on Wednesday, September 11<sup>th</sup>.

▶ The last day of September, the 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 need your payroll information before 3:00pm on Thursday, September 26<sup>th</sup>.

▶ September 5, 2013, falls on a Saturday. If you normally date your checks for the 5<sup>th</sup>, your check date will roll back to Friday, September 4<sup>th</sup>. And, if you have direct deposit, we will need your payroll information before 3:00 pm on Wednesday, September 2<sup>nd</sup>.

▶ **Monday, October 14, 2013, is Columbus Day. All banks, governmental offices and schools will be closed that day. Please take this into account as your prepare your payroll information.**

▶ October 15<sup>th</sup> falls on Tuesday. Because of the Monday holiday, if you normally date your checks for the 15<sup>th</sup> and you have direct deposit, we need your payroll information by 3:00 pm on Thursday, October 10<sup>th</sup>.

▶ October 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, October 18<sup>th</sup>. If this describes your company, and you have direct deposit, we need your payroll information by 3:00 pm on Wednesday, October 18<sup>th</sup>.

**Holiday Schedule:** The following remaining holidays are scheduled for 2012 and we have added the holidays for 2013. The official “bank holidays” are marked with an “\*”

- ▶ \* Monday, September 2, 2013 – Labor Day – Pay-Net will be closed
- ▶ \* Monday, October 14, 2013 – Columbus Day – Pay-Net will be open
- ▶ \* Monday, November 11, 2013 – Veteran’s Day – Pay-Net will be open
- ▶ \* Thursday, November 28, 2013 – Thanksgiving Day – Pay-Net will be closed
- ▶ Friday, November 29, 2013 – Day After Thanksgiving – Pay-Net will be closed
- ▶ \* Wednesday, December 25, 2013 – Christmas Day – Pay-Net will be closed

► \* Wednesday, January 1, 2014 – New Year’s Day – Pay-Net will be closed

**Affordable Health Care Act:** As you are aware, the employer penalties have been waived for 2014. However, the individual mandate still remains in effect.

We will continue to keep you apprised of any developments as they occur.

**Medicare Issue for 2013:** As some of you are aware, 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.

**Immigration News:** In November, U.S. Citizenship and Immigration Services (USCIS) Director Alejandro Mayorkas marked a significant milestone for the USCIS Entrepreneurs in Residence (EIR) initiative by launching an online resource center at the Martin Trust Center for MIT Entrepreneurship in Cambridge, Mass. The resource center, *Entrepreneur Pathways*, provides entrepreneurs who seek to start a business in the United States an intuitive way to navigate the immigration process (Link: <http://www.uscis.gov/portal/site/uscis/eir>) . It also provides information on future opportunities for engagement with the entrepreneurial community. For more information, please visit the USCIS blog, *The Beacon*, at this link: <http://blog.uscis.gov/> (Note, these are clickable links)

**Summer Doldrums:** Well, we are now in the midst of summer. Everyone should be enjoying their time off for vacations, backyard barbeques, and getting together with family. And so it is with the payroll world. Very few payroll-related laws are being discussed, let alone passed. And lawmakers are not taking any action on issues. The only news going on is the unrest in the world, closing embassies, San Diegans trying to decide whether our mayor should remain in office, etc.

So we at Pay-Net hope that all of our clients will have a wonderful and relaxing summer.

**FUTA Credit Reduction for 2013:** All of our clients should remember the FUTA Credit Reduction problems over the past two years, and 2013 will offer no changes. We expect another round of FUTA Credit Reductions for this year. Keep watching our ENewsletters for more information.

It is interesting that several states are having quarterly employer assessments for additional monies. The states are going to use these funds to pay down their federal loans and thereby avoid, or minimize, any FUTA Credit Reduction for their state’s employers. This way, the employer can pay a little bit every month, or every quarter, and avoid the one big payment in January. An interesting concept, one that we think employers would embrace.

**Important Tax Announcement:** The IRS has issued a new Rev. Proc. 2012-32 that is effective November 19, 2012. This required procedure consists of many facets including the following:

- (1) Payroll providers must file a completed Form 8655 with the IRS and must ensure that the client receives copies of official notices, correspondence, transcripts, etc. Note: Pay-Net already does this and has for over 10 years.
- (2) Sign and electronically file Forms 941 and 940. Pay-Net already does this.
- (3) Make tax deposits and other federal payments by the EFTPS system. Pay-Net already does this.
- (4) A Reporting Agent, such as a payroll service, accountant, CPA, etc., must provide the taxpayer (client) with the following notice, as written by the IRS:

**Please be aware that you (our client) are responsible for the timely filing of employment tax returns and timely payment of employment taxes for your employees, even if you have authorized a third party to file the returns and make the payments. Therefore, the Internal Revenue Service recommends that you enroll in the US Treasury Department's Electronic Federal Tax Payment System (EFTPS) to monitor your account and ensure that timely tax payments are being made for you. You may enroll in the EFTPS online at [www.eftps.gov](http://www.eftps.gov), or call (800)555-4477 for an enrollment form.**

Please note that ALL payroll providers, including the big ones like ADP and Paychex and including small ones like Pay-Net, are required to notify their clients. Many years ago, Pay-Net was proactive in this area and we adopted several options to our clients for tax filing:

- (1) Complete Electronic Tax Filing. With this option Pay-Net drafts a client's bank account for all tax liabilities incurred with a payroll process. When tax deposits are due, Pay-Net makes the tax deposit electronically using the EFTPS system for Federal and the EFT system for California. For other states that allow for electronic payments, we make the deposits by EFT, otherwise, by check. At the end of the quarter, all Federal and California payroll tax returns are filed electronically, and also in other states that allow for electronic filing.
- (2) Confirm FTD. This optional service goes with (1). When a client chooses this option, for a small onetime fee of \$25.00, we enroll the client in the EFTPS system with your own PIN so you can monitor your account. Or, as mentioned above, you can contact the EFTPS directly and get setup for no charge.
- (3) Modified Electronic Tax Filing. With this option, clients choose to have their tax deposits come directly from their own bank account. Pay-Net electronically notifies the taxing agency, and the agency drafts the client's bank account for the deposits. At the end of the quarter, all payroll tax returns are filed electronically. This method is only offered by payroll companies using the EFTPS Batch Filer Software system, which Pay-Net uses. Larger payroll companies use a different IRS software system, the Bulk Filer System, to make tax deposits, a system which does not have this particular option.
- (4) Non Tax Filing. With this option, clients choose to make their own tax deposits and file their own quarterly returns.

**Another Issue With The IRS:** In case you haven't noticed, no longer will Pay-Net employees offer clients legal opinions on issues you may have that involve payroll taxation. This is due to an IRS regulation that states that individuals cannot offer any legal tax advice to others unless they have a PTIN number with the IRS. Now, PTIN's are issued to individuals that take and pass an IRS administered test. Now, the interesting part of all this is that the PTIN

testing is all aimed at personal and corporate income tax returns!!! That's right, nothing to do with payroll, yet our employees would need to pass this test in order to offer advice to our clients. In the IRS's eyes, payroll service bureaus fall under the same category as income tax preparers, so that is why this regulation applies to Pay-Net. The reason for this regulation is that many income tax preparers were not fully knowledgeable about income tax laws and they prepared income tax returns with multiple errors.

So, if you call us looking for an answer to a question, we will advise you of what the law says but we will not advise you of whether or not the law applies to you.

We are sorry about this and some of our clients have become upset because we cannot answer their question directly. We do know the answer to your question, but because of governmental rules, we cannot give you the answer.



### *Note from Wayne*

Well, it's been an interesting summer. No real major payroll changes except for the extension of the employer penalty section of the ACA (Obamacare) until 2014. Some exciting things happening on our city level, state level, and federal level. But, nothing really involving payroll issues. I hope and trust that all of my clients have had a good summer vacation, or looking forward to a good vacation!

*Wayne*