



Welcome to our Sixty Second 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 a couple of times year, with important announcements released by email several times during the 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 When we sent out the last E-Newsletter, we got over 30 bounce-backs because the email addresses were no longer valid.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. We would like to introduce our newest Customer Service Representative, Amy. Veronica took a leave from work to have a baby and we expect her back at Pay-Net in January.

- 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
- Amy (Operations): ateep@pay-net.net
- Valerie (Operations): vpeter@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)
- Jaime (Sales): 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 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 15, 2013, is on a Sunday. If you normally date your checks for the 15th of a month, your check date will roll back to Friday, December 13th. If this applies to you, and you have direct deposit, we need your payroll information before 3:00pm on Wednesday, December 11th.

▶ **Tuesday, December 24, 2013, is Christmas Eve Day. Pay-Net will be closing at 12:00 noon on that day. The cutoff for direct deposit transmissions is 9:30am on the 24th because our bank will be closing at that time.**

▶ **December 25th is Christmas Day, a national holiday and a banking holiday. Pay-Net will be closed this day**

▶ **Friday, December 27, 2013, is the last day that you can report any payroll information or adjustments that you want to appear on your employees' W2 forms. Any adjustments reported after December 27th may be subject to reprocessing charges. If you would like Pay-Net to setup a 12/27/2013 check date in your calendar so you can enter yearend adjustments, please contact our office.**

▶ **Tuesday, December 31, 2012, is News Year's Eve Day. Pay-Net will be closing at 12:00 noon on this day. The cutoff for direct deposit transmissions is 9:30am on the 31st.**

▶ **Wednesday, January 1, 2014, is News Years Day, a national holiday and a banking holiday. Pay-Net will be closed this day.**

▶ Since Wednesday, January 1st is a holiday, if you normally date your checks for the 1st of the month, your check date will roll back to Tuesday, December 31st. If this applies to you, and you have direct deposit, we need your payroll information before 3:00pm on Friday, December 27th.

▶ If you normally date your checks for the 1st of the month, BUT you want your checks to be dated January 2, 2014, then **YOU MUST CONTACT OUR OFFICE SO WE CAN ADJUST YOUR PAYROLL CALENDAR!!!** You can call us or you can send an email to operations@pay-net.net

▶ If you normally date your checks for January 5, 2014, this is a Sunday so your check date will roll back to Friday, January 3rd. If this applies to you, and you have direct deposit, we need your payroll information before 9:30am on Tuesday, December 31st.

▶ **Monday, January 20, 2014, is Martin Luther King Day, a national and banking holiday. Pay-Net will be open that day, but since the banks will be closed, please take this into account as you prepare your payroll information.**

▶ Since January 20, 2014 is a holiday and if you normally date your checks for the 20th, your check date will roll back to Friday, January 17th. If this applies to you and you have direct deposit, we need your payroll information before 3:00pm on Wednesday, January 15th.

▶ February 1, 2014, falls on a Saturday. If you normally date your checks for the 1st and your check date will roll back to Friday, January 31st. If this applies to you and you have direct deposit, we need your payroll information before 3:00pm on Wednesday, January 20th.

▶ February 15, 2014, falls on a Saturday. If you normally date your checks for the 15th and your check date will roll back to Friday, February 14th. If this applies to you and you have direct deposit, we need your payroll information before 3:00pm on Wednesday, February 12th.

▶ **Monday, February 17, 2014, is President's Day, a national and banking holiday. Pay-Net will be open that day, but since the banks will be closed, please take this into account as you prepare your payroll information.**

▶ March 1, 2014, falls on a Saturday. If you normally date your checks for the 1st and your check date will roll back to Friday, February 28th. If this applies to you and you have direct deposit, we need your payroll information before 3:00pm on Wednesday, February 28th

Holiday Processing Schedule: Please take note of the holiday schedule as you prepare your payroll information and be aware of Pay-Net's operating hours.

▶ If you normally date your checks for Wednesday, December 25th, your check date will roll back to Tuesday, December 24th. If this applies to you, and you have direct deposit, we need your payroll information before 3:00pm on Friday, December 20th.

▶ If you normally date your checks for Thursday, December 26th, and you have direct deposit, we need your payroll information before noon on Monday, December 23rd.

▶ If you normally date your checks for Friday, December 27th and you have direct deposit, we need your payroll information **before 9:30am** on Tuesday, December 24th. Our bank is closing early on Tuesday; please remember to allow enough processing time to complete your payroll before the cutoff. If everyone waits until 9:00 to transmit their payroll, we cannot guarantee direct deposit will fund on Friday.

▶ If you normally date your checks for Wednesday, January 1, 2014, your check date will roll back to Tuesday, December 31st. If this applies to you, and you have direct deposit, we need your payroll information before 3:00pm on Friday, December 27th.

▶ If you normally date your checks for Thursday, January 2, 2014, and you have direct deposit, we need your payroll information before noon on Monday, December 27th.

▶ If you normally date your checks for Friday, January 3, 2014 and you have direct deposit, we need your payroll information **before 9:30am** on Tuesday, December 31st. Our bank is closing early on Monday; please remember to allow enough processing time to complete your payroll before the cutoff. If everyone waits until 9:00 to transmit their payroll, we cannot guarantee direct deposit will fund on Thursday.

▶ **W2 processing will begin at noon on Tuesday, December 31st. If everything goes well, you should have your employer copies of W2's on the Report Portal by Monday, January 6th. Watch for an email to notify you when they are ready.**

NOTE: It appears Pay-Net may have a Holiday present for our clients.

This year we have introduced a number of exciting software developments. From ACA tracking to greater insurance flexibility, we are constantly striving to offer our clients the most advanced and affordable payroll/HR software.

Many of you have chosen to give your employees access to the employee kiosk. While the employee kiosk has been helpful in reducing your direct deposit vouchers, we will be moving forward with electronic only W-2's for 2013. In the past, Pay-Net has printed all

employee W-2's. This year, we will be following the setting chosen by the employee. If an employee elects to receive their W-2 via the kiosk, we will not print the W-2.

While we like to believe that our clients are eagerly awaiting our exciting software developments and would love to be our friends on every social media conceivable, we do have a few really boring and analytical people bringing us back to reality. We have been told that most of our customers care about the bottom line. If your employee receives a W-2 electronically, you will pay \$1.50 less for the W-2. To receive this "present", simply send an email message to operations@pay-net.net before 12/27/2013, and let us know you are going to participate in this electronic Employee W2 Forms. And, remember that your employees must elect this option on the kiosk.

FUTA Credit Reduction for 2013: Thirteen states and the U.S. Virgin Islands have Federal Unemployment Tax Act credit reductions for 2013, the Labor Department said Nov. 12. For 2012, 18 states and the U.S. Virgin Islands had FUTA credit reductions.

Delaware has a 0.6 percent credit reduction that requires employers to pay up to \$42 in additional FUTA costs for each employee for 2013.

A credit reduction of 0.9 percent, increasing FUTA costs by up to \$63 for each employee for 2013, applies for employers in Arkansas, California, Connecticut, Georgia, Kentucky, Missouri, New York, North Carolina, Ohio, Rhode Island and Wisconsin.

Indiana has a credit reduction of 1.2 percent for 2013 that increases FUTA costs by up to \$84 for each employee. However, the state prevented an extra credit reduction, the FUTA benefit cost rate add-on, that would have required employers to pay up to \$98 for each employee in addition to the extra charge of up to \$84 for each employee. Indiana prevented the benefit cost rate add-on with a fifth-year waiver application that was approved by the Labor Department.

The U.S. Virgin Islands has a credit reduction of 0.9 percent for 2013 plus an extra credit reduction of 0.3 percent. This extra reduction, the 2.7 add-on, can apply for jurisdictions that do not achieve solvency goals established by the Labor Department.

Five states that had credit reductions in 2012 repaid their federal unemployment loan balances and do not have credit reductions for 2013: Arizona, Florida, Nevada, New Jersey and Vermont.

South Carolina, despite its federal unemployment loan balance, does not have a credit reduction for 2013 because its credit reduction avoidance application was approved by the Labor Department.

Regarding the FUTA Credit Reduction (Basically \$63.00 per employee that earned over \$7,000 for the year):

For our Tax Filing Clients: in January, we will be sending you a letter, probably in your Report Portal folder, that will inform you of the amount of money and the date that Pay-Net will be drafting your bank account for this "extra" FUTA tax. We will then make the deposit in accordance to IRS regulations.

For our Non-Tax Filing Clients: The FUTA Credit Reduction amount will be included in your FUTA deposit due 01/31/2014. For a detailed breakdown of this deposit, you can examine your 940 Form which will show you the Credit Reduction amount.

Now, maybe some of you are wondering why a “tax credit” means “increased tax payments”. The reason is as follows: The *real* FUTA tax is 6.2%, but an employer can receive a “tax credit” for making timely and proper UI deposits to their state, up to a 5.6% tax credit. The net result, 0.6% (6.2% minus 5.6%), is what most payroll people take for the “FUTA tax rate”, which it is not. A reduction in a state’s tax credit means that the 5.6% figure is reduced depending on the state’s shortfall with the feds.

Holiday Schedule: The following is the holiday schedule for 2014. The official “bank holidays” are marked with an “*”

- ▶ * Wednesday, January 1, 2014 – New Year’s Day – Pay-Net will be closed
- ▶ * Monday, January 20, 2014 – Martin Luther King Day – Pay-Net will be open
- ▶ * Monday, February 14, 2014 – President’s Day – Pay-Net will be open
- ▶ * Monday, May 26, 2014 – Memorial Day – Pay-Net will be closed
- ▶ * Friday, July 4, 2014 – Independence Day – Pay-Net will be closed
- ▶ * Monday, September 1, 2014 – Labor Day – Pay-Net will be closed
- ▶ * Monday, October 13, 2014 – Columbus Day – Pay-Net will be open
- ▶ * Tuesday, November 11, 2014 – Veteran’s Day – Pay-Net will be open
- ▶ * Thursday, November 27, 2014 – Thanksgiving Day – Pay-Net will be closed
- ▶ Friday, November 28, 2014 - Day After Thanksgiving – Pay-Net will be closed
- ▶ * Thursday, December 25, 2014 – Christmas Day – Pay-Net will be closed
- ▶ * Thursday, January 1, 2014 – New Year’s Day – Pay-Net will be closed

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 2014. 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 2014. 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.

Friday December 27, 2013 – the last day to enter payroll information for 2013. 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 PUCC’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 27th.

Monday, January 20, 2014 – 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.

Friday, January 31, 2014 – W2's and 1099's have to be handed out, or postmarked on this day. All Quarterly and Year End Tax Returns have to be sent to the various governmental agencies.

Medicare Issue for 2013: As you are aware, the Medicare rate increased for high income taxpayers this year. Effective January 1, 2013, the employee Medicare tax rate remained 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 provided a Medicare tax rate increase on investment income where earnings above the threshold will result in a Medicare tax rate of 3.8%.

Payroll Tax Changes for 2014: The changes that have been announced include an increase in the Social Security base from \$113,700 to \$117,000. Deductions for 401(k) and similar retirement plans will remain unchanged at a maximum \$17,500 and the "catchup" amount remains the same at \$5,500. California's SDI rate will remain at 1%, but the base will rise from \$97,571 to \$101,636.

Are Your Labor Posters Up To Date?: With 2014 fast approaching, now is the time to take a look at your required Labor Law Posters. Don't have any posted? Have postings that are out of date or illegible? Pay-Net can help! If you click on the link below, you can find out about and sign up for a cost-effective Labor Law Poster service. Whether you simply need a one-time set of updated posters or you would like to ensure compliance and convenience with a subscription update service, Pay-Net has a solution for you! Click the link below and pre-order your 2014 Labor Law Posters.

<https://www.formstack.com/forms/posterelite-paynetorderform>

(Clickable Link)

EVS Service – Results: For those clients that used our EVS Service (Electronic Verification Service), we have received the listings back from the Social Security Administration. There is a letter listing the "problem" employees now on the Report Portal, under your "Payroll" folder with a folder date of 20131201. The format of the letter is "NNNN_2012130101_EVS Notice.doc", where NNNN is your company number. The letter is a Word document. If you do not have Microsoft Word, please let us know and we will convert the letter to PDF for you.

If you do not have a notice on the Report Portal and you subscribed to our EVS Service, it means that all your employees successfully passed the EVS checking.

There are generally two types of EVS failures that will be reported to you:

- (1) **Name Mismatch.** This error indicates that the SSN number of the employee is valid but the employee's name does not match the name on the Social Security Administration's data base. This error could be a result of a spelling error. Or, the most common error is that an employee got married and changed their name on the payroll system but not with the SSA. Or, in the case of Hispanic names, the

designation of first or middle name is incorrect. In any case, compare the name on the employee's Social Security card with the name in the payroll system; they have to be the same.

- (2) **Non-Existent Number.** As described by the SSA, this means that “the SSN number of the employee has never been issued to any person living or deceased.” This could have been a simple data entry error. Again, you should check the employee's Social Security card with the SSN on the payroll system; they have to be the same.

In any case, the law is very clear that the employer cannot use the EVS result to discipline or terminate an employee. You can, however, meet with the employee and attempt to resolve the problem. Please note that if you did subscribe to the EVS Service and you did not get a letter, that means that all your employees were okay. Also, if you are not setup for the Report Portal, you will get your list in your payroll package.

Why is this important? The IRS considers these errors to result in an invalid W2 Forms. The IRS code calls for a \$50.00 per invalid W2 form penalty to be assessed to employers. However, in the real world, the IRS has not yet penalized any employer for invalid W2 forms, and hopefully this will continue. But, be aware that the Department of Homeland Security takes a keen interest in any employer with a large number of invalid W2 Forms.

Minimum Wage Increases: These states are to increase minimum wage rates in 2014: Arizona, to \$7.90 an hour from \$7.80, effective Jan. 1, 2014; **California, to \$9 an hour from \$8, effective July 1, 2014;** Connecticut, to \$8.70 an hour from \$8.25, effective Jan. 1; Florida, to \$7.93 an hour from \$7.79, effective Jan. 1; Missouri, to \$7.50 an hour from \$7.35, effective Jan. 1; Montana, to \$7.90 an hour from \$7.80, effective Jan. 1; New York, to \$8 an hour from \$7.25, effective Dec. 31, 2013; Ohio, to \$7.95 an hour from \$7.85, effective Jan. 1; Oregon, to \$9.10 an hour from \$8.95, effective Jan. 1; Rhode Island, to \$8 an hour from \$7.75, effective Jan. 1; Vermont, to \$8.73 an hour from \$8.60, effective Jan. 1; and Washington, to \$9.32 an hour from \$9.19, effective Jan. 1.

New System Features: Have you kept up-to-date regarding all the new features of our new web-based product, Pay-Net Online? Here's a small sampling:

- (a) A subsystem that allows you to track the hours of your employees and the “Full Time Equivalents” for the ACA (Affordable Care Act).
- (b) More reporting options and flexibility.
- (c) A full function employee kiosk that allows employees to receive their pay check stubs online and even their W2's online. Plus, by using the employee kiosk, your employees can see their time off accruals, deduction descriptions and amounts. Plus, employees can request vacation time off, or sick time off, by sending an email through the kiosk.
- (d) A full graphical interface that allows payroll users to setup widgets and links on their home page.
- (e) Single sign-on feature for the Report Portal and the time keeping system. One login will access the payroll system plus all these subsystems.
- (f) Access to more HR screens and information.
- (g) And many, many more features that can address all your payroll and human resource requirements.

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 15 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 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, 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 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. 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 software system, the Bulk Filer System, to make tax deposits 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.

Note from Wayne



It is hard to believe that we are almost at Year End, our really BUSY time of the year. While not as dramatic as last year end, the Federal Government is still on the brink of financial disaster, and most of us are no better off than we were last year. But, this is the Holiday Season and time to be joyful and happy. It's time to enjoy family and friends and celebrate together. From the staff at Pay-Net, we wish each and every one a joyful and Merry Christmas and a very Happy New Year!

Wayne