

THE BLUE PAGES

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Federal Minimum Wage Increase

The federal minimum wage will increase 70 cents, from \$6.55 per hour **to \$7.25 per hour on July 24, 2009**. This is the last of a three-tiered minimum wage increase signed into law by President Bush on May 24, 2007.

Twelve states including Texas, Indiana, Idaho, Maryland, North Carolina, North Dakota, Oklahoma, South Dakota, Virginia, Montana, Nebraska and Utah will increase the state minimum wage on July 24, 2009 when the new federal rate of \$7.25 per hour is introduced. Most of these states have legislation that ties the state minimum wage to the federal rate. For many of the states that follow the feds, tipped employees still can be receive \$2.13 / hour as long as they receive a tips of \$5.12 / hour.

Some areas, such as Washington D.C., peg the minimum wage to a set amount above the federal minimum wage. In D.C., the minimum wage is \$1.00 per hour more than the federal rate, so the minimum wage will increase to \$8.25 per hour in July.

Two states increased the minimum wage on July 1st.

Illinois increased to \$8.00 and will again next year Jul. 1, 2010 to \$8.25.

Also on July 1 2009, Kentucky increased to \$7.25, ahead of the feds.

Nevada. Effective July 1, the minimum wage rate will increase to \$6.55 per hour for employees who receive qualified health benefits, and to \$7.55 per hour for all other employees. Effective July 24, 2009, the minimum wage rate for employees with health benefits will increase from \$6.55 per hour to \$7.25 per hour to match the federal minimum wage rate increase.

Ohio. The sub-minimum wage rate, which is paid to employees under the age of 16, and employees working for employers with annual gross sales of \$267,000 or less, increases from \$6.55 per hour to \$7.25 per hour on July 24, 2009.

Be sure to check the PayMaster payroll blog for the latest updates on this and other items of interest.

<http://paymaster-pro.com/payrollblog/>

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Inside this issue:

Minimum Wage	1
State Updates	2
Q&A PayMaster Mass Assign Raises	3
40% Commission on Referrals !	4

State Updates Summer 2009

California Taxpayers Should Review Their Withholding to Avoid Tax Bills

A new tax law raises California's personal income tax rates by .25 percent. The law also reduces the dependent exemption credit to the same amount of the personal exemption credit—a \$210 difference per dependent using 2008 amounts. Some taxpayers may need to increase their wage withholding now to avoid owing taxes next April.

The Employment Development Department (EDD) made new withholding tables available to employers in April, but taxpayers may be under withheld at least from January through April 2009.

The updated tax tables were issued to Paymaster users in April but you still may be underwithheld as the **increase was retro active**.

The new withholding tables factor in the changes for the tax rate increase only, so taxpayers claiming dependent exemption credits may still need to modify their wage withholding on Form DE 4, Employee's Withholding Allowance Certificate, to make any needed changes to the number of allowances they claim.

Louisiana. New withholding tables go into effect on July 1st. The tables were revised to take into account 2008 legislation that reduced the state income tax rates in the two highest income tax brackets, beginning in 2009.

Maine. Effective with the second quarter of 2009, Form 941/C1-ME, Combined Filing For Income Tax Withholding And Unemployment Contributions, must be filed electronically by employers who have 10 or more employees during the quarter that are subject to Maine income tax withholding.

Minnesota. Effective July 1, if an employer fails to withhold taxes from an employee's

wages as a result of misclassifying the employee as an independent contractor, the employer must pay a 3% withholding tax on the wages paid to the employee. The employer cannot recover the tax from the employee. The employee liability for the tax is not affected by the amount that the State collects from the employer.

Ohio. The following local tax rates will increase on July 1, 2009: Hebron, from 1% to 1.5%; Napoleon, from 1.2% to 1.5%; Ravenna, from 1.75% to 2.0%; Streetsboro, from 1% to 2%; and Warrensville Heights, from 2% to 2.6%.

Pennsylvania. Effective July 1, 2009 to Dec. 31, 2009, the Philadelphia withholding tax rate on residents is 3.9296%. The withholding tax rate on nonresidents is 3.4997%.

West Virginia. The taxable wage base increased from \$8,000 to \$12,000, beginning with the second quarter of 2009.

Minnesota. Effective July 1, the workforce enhancement fee assessment on employers increases from 0.10% of taxable wages to 0.12% of taxable wages.

New Hampshire. A 0.5% emergency tax surcharge is in effect in the second through fourth quarters of 2009.

Tennessee. The unemployment tax rate has been raised by 0.6%, retroactive to Jan. 1, 2009. The taxable wage base has been raised from \$7,000 to \$9,000, retroactive to Jan. 1, 2009.

West Virginia. The taxable wage base increased from \$8,000 to \$12,000, beginning with the second quarter of 2009.

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FAQ: PayMaster for Windows

Minimum Wage Increases.

With the upcoming minimum wage increase, how can I update my employee records without having to ‘touch’ each individual employee?

Step 1) Set the new minimum wage in the division setup. Go to **Setup/Division/Division** and put in your values for State Minimum Wage and State Tip Credit. For the states that follow the feds the new rate will be \$7.25 and \$5.12 for the tip credit. When done be sure to hit update.

State Minimum Wage	7.25
State Tip Credit	5.12

Step 2) Go to **Setup/Employee/Mass Assign Raises**.

This module allows you update all employees in the selected division, with the same job and the same rate to the new rate that you input.

Date of Raise: This is **NOT** the day the raise will take effect, **so do not update anyone until right before the payroll where the new rate will take effect.**

The date selected here will be used for the employees pay history to determine when their last raise was given.

Division: As different divisions could be in different states with different wage laws, you must choose the division that you want to update.

Job Name: This is where you select any job that pays less than the current minimum wage. Once selected the grid to the left will show you all the different rates that are contained within the selected division and job.

Old Rate/New Rate: This is the area that you will be making your changes. Just type in the new rate in the column called new rate! You can change multiple rates within a division, job selection before committing the changes.

IMPORTANT NOTE: Even though the federal rate for tipped employees has not changed (\$2.13), you **MUST** update all employees that are sub minimum wage to recalculate the overtime rate as the tip credit has changed. The new overtime rate for tipped employees will be:

$$\$7.25 * 1.5 = \$10.875 - \$5.12 = \$5.755$$

The above values will work for the 12 states that follow the feds. If you are uncertain of what your state’s minimum wage is, please consult your local Dept of Labor.

The latest auto update has an improved version of this module which makes updating this case with a single click. If there is no need to change the new rate, just press the button to commit the new overtime rate.

Please contact support for this update or if you need assistance in updating your state’s minimum wage.

Old Rate	New Rate
2.130	2.130

Date of Raise: 5/28/2008

Division: 1

Job Name: D/R Wait

32 jobs changed

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