

# THE BLUE PAGES

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## 'Making Work Pay' Update for PayMaster

The American Recovery and Reinvestment Act of 2009 (commonly referred to as the Stimulus Package), was signed into law on Feb. 17, 2009 and makes a number of beneficial tax changes for individuals.

**New Making Work Pay Credit.** Individuals who work generally get a credit of up to \$400 (\$800 for joint filers). The credit is refundable, meaning you get it even if you owe no income tax. This change applies for 2009 and 2010. The credit is the lesser of 6.2% of your earned income or \$400 (\$800 on a joint return). Many higher-income taxpayers will see little or no change in their take-home pay. The credit is phased out for joint filers with modified adjusted gross income between \$150,000 and \$190,000 and other taxpayers with modified AGI between \$75,000 and \$95,000.

You won't be getting a separate check from the IRS, as you did with last year's Stimulus payment. Instead the IRS has issues new tax tables that should be implemented no later than April 1st.

The new tax tables are easily installed, directly from the PayMaster program by going to Utilities/Apply SQL Patches and selecting Internet/Check for SQL updates. The program should then download a file called **2009-stimulusupdate.sql**. Select this file and apply to all active companies by checking them off. Of course if you have any questions or concerns feel free to call the support line. Complete instructions on how to install the new tax tables can also be found on page 3 of this issue.

Another part of the stimulus package that affects PayMaster users is the new 941 issued for 2009. To help the millions of people that have recently become unemployed because of the economic slowdown, the gov't has offered help by paying a portion of their health care. Employees laid off between 9/1/2008 and 12/31/2009 are only required to pay 35% of the cost of COBRA coverage and employers must treat payment of that amount as full payment. The employer is then entitled to collect a credit for the other 65% on their 941. Employers must maintain supporting documentation for the credit claimed. This includes:

- Documentation of receipt of the employee's 35 percent share of the premium.
- In the case of insured plans: A copy of invoice or other supporting statement from the insurance carrier and proof of timely payment of the full premium to the insurance carrier.
- Declaration of the former employee's involuntary termination.

All PayMaster users should contact support to install the latest update which includes the 2009 941 form that contains this line item deduction.

The Blue Pages come out only once a quarter. For the latest updates for all payroll professionals, please visit  
PayMaster's Payroll News blog at  
<http://paymaster-pro.com/payrollblog/>

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## COBRA Update March 2009

We continue to learn more about the new COBRA continuation subsidy changes. Apparently there is a requirement to contact employees involuntarily since September 1. The American Recovery and Reinvestment Act (ARRA), signed into law February 17, 2009, includes a provision requiring employers to pay 65% of certain employees' COBRA premiums. As they file their taxes, employers could then take a refundable credit on their Form 941. Or, they could reduce their employment tax deposits (federal income, social security and Medicare taxes) if they'd rather not wait for a refund from the IRS. You should contact your accountant/tax preparer and not rely solely on the information provided at this time. The Department of Labor is preparing sample notices for your use in administering this program.

Hopefully more information becomes available from federal agencies on exactly what the subsidy process entails and how it will affect your business. However, it would be advisable to take steps you can take right now to position yourself for these changes.

Identify those employees that were terminated, involuntarily, between September 1, 2008 and present.

Employees that were involuntarily terminated from employment effective September 1, 2008, to date, must be notified of their expanded eligibility period and revised rates reflecting the 65% subsidy. Included in the COBRA notification will be two additional forms that should be made available:

**Verification of Eligibility Form** - This should be signed by the employee to verify that they do not have other medical insurance coverage available through a new employer or spouse. The IRS will impose a 110% penalty for anyone found using the subsidy that has another insurance option available; this is 100% the responsibility of the employee.

**Waiver of Eligibility Form** - Any person who makes more than \$145,000 (or \$290,000 for family) is not eligible for the subsidy. They should sign the waiver to allow you to require the full 100% (or 102%) of the COBRA premium.

This law applies to State Continuation. The laws are different by state (9 months in MD., 90 days in VA. and DC.); however the subsidy will apply only for the duration of the available coverage period.

All COBRA notification must be amended to include new language pertaining to the group responsibility to provide the 65% subsidy for Involuntary Terminations. Updated language from the Department of Labor is projected to be available by March 19 for Cobra Notification, Verification of Eligibility and Waiver of Subsidy.

While an employer can still charge the 2% administrative fee for COBRA, right now it is not clear whether it will apply to 100% or 35% of the premium

A good website for updated information is <http://www.dol.gov/recovery/>.

### New Form W-4 Includes Warning

The 2009 W-4 has been changed to include a new warning for employees. Instructions to your employees on the 2009 Form W-4 now read, "**You may not request withholding as only a flat amount or as a percentage of wages.**" While payroll professionals have always known this fact, they've often had a hard time convincing the workers who have insisted on incorrectly completing their W-4s.

This rule is important. Claiming a flat amount of withholding per pay period could work to an employee's disadvantage if they don't get the number of paychecks they were expecting (e.g., they get a manual check for hours not paid on the system-produced paycheck) or if their salary changes. And a flat percentage on all earnings is at odds with our graduated system of tax rates. On even the largest paycheck, some earnings are subject to no tax, some earnings are subject to the 10% withholding rate, some earnings are subject to the 15% tax rate, and so on.

If you think your employees could use a hand with all the W-4 worksheets and their talk of tax credits, deductions, and exemptions, you can point them to the IRS Withholding Calculator.

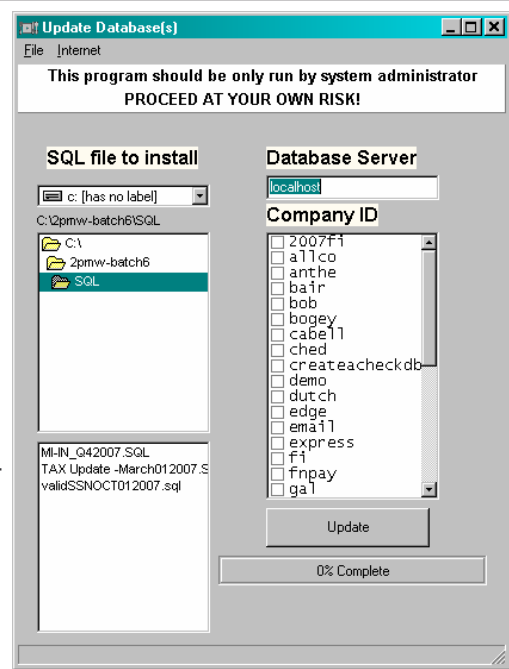
## Q&A : PayMaster for Windows

### Update Your Tax Tables

A new feature in the year end update allows **you** to download the latest tax tables at **your** convenience. As long as you have a working connection to the internet you will be able to download the latest database patches as soon as they become available. As an example, each quarter we will be releasing an updated SSN database so that you be assured all your new hires are checked against the most recent set of valid Social Security combinations.

#### HOW TO:

- 1) Logon to any active company and go to Utilities/Apply SQL Patches.
- 2) Note the new menu selection called "Internet"
- 3) Select "Check for SQL Patches"
- 4) If any new patches are found a short description of what the patch does will be displayed and you can decide if it is applicable to your company. Make note of the name of the patches that are applicable to your situation.
- 5) After reading and closing the description, a message will tell you how many patches were found.
- 6) You can only apply one patch at a time but you can apply it to multiple companies by checking off the companies on the right.
- 7) Once a SQL file is selected and the companies you want it apply to are selected , press the "Update" button. As each company is processed a confirmation will let you know that it was successful.
- 8) Repeat for each applicable patch.



### PayMaster Change Log as of March 2009

- 1) 941 updated for 2009 (New form w/ COBRA)
- 2) New Module Cash Paid For Deductions Owed
- 3) Mailer fix
- 4) Pre check GL -direct deposit fix (was ignoring voids)
- 5) Pre uncollected taxes report. Fix for crossing EOY.
- 6) OASDI reconciliation report - was missing employees
- 7) 2008 W2 Printing. Employee picker now correct on start.
- 8) 2008 Mag Media MD,MI specific for 2008 Tax Year.
- 9) BETA new direct deposit module that does not use temp files. You are now able to recreate ACH files at will from any pay period.

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Please contact support if you have any questions regarding these new features and/or to update your system with the latest patches and tax tables.

Support is available 9-5 EST M-F by calling toll-free **(800) 327-4243** or via email by writing to: [support@computeraid-llc.com](mailto:support@computeraid-llc.com)

**“Helping Employers Do Payroll Right”**

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