

THE BLUE PAGES

PAYMASTER PRO LLC

501 CHURCH ST NE SUITE 306 VIENNA VA 22180 | 703-281-7486

This Issue's Special Offer

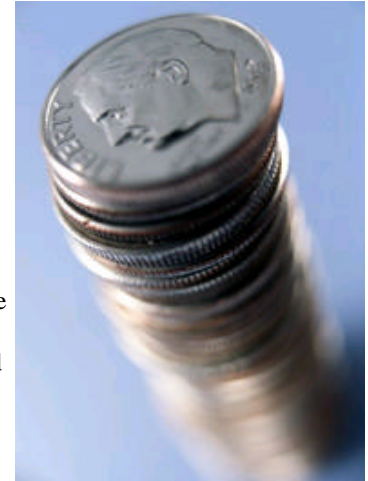
By now PayMaster for Windows has become an important part of the way you do business. You can quickly prepare your payroll and tax filings on your own schedule. PayMaster also contains a variety of reports to give your business the information that you can use to maximize your business. But as useful as PayMaster is what would you like to see the program do? Are there custom reports that you and your boss are interested in seeing? Are you tired of manual typing in time sheets, or using excel to create labor reports.

PayMaster is always interested in making it easier for your company to do the payroll faster and more reliable. We have designed many custom reports and interfaces for our customers. Clients who have been manually updating their in-house spreadsheets have saved hours per week by having a custom report designed to pull the exact data they need from the Paymaster program. National Coney Island of MI is a long time user of PayMaster products. For years they have had to manually create a census spreadsheet for their health care provider. With over 1500 employees, it would take days to complete this annual report by hand. Each

year the provider would complain about missing information that could not be exported by the DOS program and it would take months of back and forth before the provider would have the required information. This year they had a custom report created that pulls all the required information with a click of a button. Minutes instead of days and no more back and forth with the provider.

How much is your time worth?

Call before June 30th and receive a **10% discount** on any custom report or interface. The specifications of the report will determine pricing and the report must be spec'd out by June 30th to receive the discount.



Company to Pay Heavy Fine for Failing to Withhold FICA Tax from Stock Bonuses

A New Jersey company will plead guilty to failing to pay federal taxes on more than \$99 million in employee stock bonuses during the years 1998 through 2002. Hon Hai and its subsidiaries issued stock bonuses to many of their employees. However, the companies never reported these stock bonuses to the IRS on any annual or quarterly tax returns, or on any reporting form, such as IRS Forms W-2 or 1099. Moreover, the bonuses represented W-2 wages from which the companies as employers were obligated to withhold FICA taxes and to report on Forms 941. The required FICA withholdings totaled over \$3.4 million.

The defendant has agreed to pay a criminal fine of \$6,928,872, at or before the time

of sentencing. The government has agreed not to prosecute any present or former employees of the companies involved, but only if the directors, officers, and employees who received stock bonuses file accurate amended federal income tax returns which report those stock bonuses as income in the years in which they were received.

"The tax law is very clear," said IRS Criminal Investigation Agent Alvarado. "**It is the responsibility of each employer to withhold employment taxes from the salaries of their employees**, even if the salaries are paid in stock. Those employers who don't are committing a crime."

Inside this issue:

Embezzlement by Payroll Service	2
Fed Minimum Wage Hike OASDI for 2008	2
Federal / State Updates Minimum Wage Updates	3
Q&A for Windows	4
W2 printing for 2007	5
Q & A continued	5
Referral Bonus	6

Embezzlement by Payroll Service Did Not Relieve Employer from Liability

The Court of Appeals for the Third Circuit has affirmed a district court ruling that an **employer remained liable for payroll taxes and interest, even though it relied on a payroll firm to fulfill its employment tax obligations** and the payroll firm embezzled the money

The facts. Pediatric Associates, P.A. (Pediatric) is a New Jersey professional corporation that provides pediatric medical services. Pediatric hired PAL Data to service Pediatric's payroll accounting needs. Pediatric did not know that Menachem Hirsch, the founder of PAL, embezzled the tax payments that Pediatric and other clients had transferred to PAL. Hirsch would prepare and send to Pediatric a tax form that reflected Pediatric's actual tax liability. Pediatric, then, would transfer money in the amount of its tax liability to Hirsch. Hirsch, however, would also prepare a tax form that reflected an understated tax liability. He sent the understated form and amount to the IRS, and invested the difference between the amount he received from Pediatric and the amount he sent to the IRS in a personal hedge fund.

The law. IRC §6651(a) allows an employer to avoid penalties for noncompliance if it can show that its failure to file, pay, or deposit taxes was due to "reasonable cause" and not willful neglect. The district court ruled in 2006 that Pediatric's reliance on Hirsch to properly pay the company's payroll taxes was not reasonable cause because Hirsch's failure to do so did not render the company unable to fulfill its tax obligations. After the district court's ruling, Pediatric took its case to the Court of Appeals for the Third Circuit.



The ruling. The Third Circuit affirmed the district court's ruling. The Third Circuit also rejected Pediatric's argument that it should not be liable for interest on the unpaid tax liability because the IRS held the case in abeyance pending resolution of criminal prosecution proceedings against Hirsch. The Third Circuit said that while the IRS may abate interest on a tax deficiency if the interest is attributable to an IRS officer's or employee's unreasonable error or delay, a taxpayer's delay or error is not grounds for abatement. The Third Circuit noted that **nothing prevented Pediatric from paying the delinquency while the criminal proceedings were taking place**, and thereby mitigating the interest that continued to accrue.

Federal Tax Updates

BUSH WILL SIGN MINIMUM WAGE HIKE:

Congress handed a major victory to low-income workers on Thursday night by approving the first increase in the federal minimum wage rate in a decade. By a vote of 348 to 73, the House approved the measure as part of a deal on Iraq spending. Less than two hours later, the wage increase was approved in the Senate. That vote was 80 to 14. Minimum wage. The minimum wage will increase from \$5.15 per hour to \$7.25 an hour in three \$0.70 increments over the next two years. **It will increase to \$5.85 per hour 60 days after the bill's enactment.** One year after enactment, it will increase to \$6.55 an hour, and then to \$7.25 an hour the year after that.

The bill includes \$4.84 billion in tax breaks for small businesses. They have made a case, supported by Republicans and the White House, that the wage increase would be a burden for them. President Bush said he would sign the measure as part of the bigger spending package that had been negotiated between Democratic lawmakers and the administration.

What Will the OASDI Wage Base Be in 2008?

The Social Security Administration's Office of the Chief Actuary (OCA) is projecting that the Social Security wage base will increase to \$102,300 in 2008, and will reach \$141,900 by 2016. Actual annual increases in the wage base are announced in October of the preceding year and are based on then-current economic conditions. As a result, the OCA's forecasts are subject to change.

Important Federal/State Tax Updates

Employer Responsibilities When Hiring Foreign Workers

The SSA has issued a fact sheet that discusses employer responsibilities when hiring foreign workers who have applied for, and are waiting to receive, a Social Security number and card. The SSA notes that there may be a delay of several weeks or months before a foreign worker receives a Social Security number due to recent changes in procedure. Employees may work while the Social Security number application is being processed. The fact sheet includes discussion of the following issues:

What are an employer's responsibilities when hiring foreign workers who don't have SSNs?

An employer should advise workers that they are required to apply for a Social Security number and card. If a worker has applied for, but has not yet received, a SSN, the employer should obtain as much of the following information as possible: The worker's full name, address, date of birth, place of birth, father's full name, mother's full maiden name, gender, and the date he or she applied for a SSN.

What if the worker doesn't have a SSN when Forms W-2 are due to Social Security?

Paper filers should enter "Applied For" on Form W-2, Box a, if the worker applied for a card but didn't receive the number in time for filing. Electronic filers should enter all zeros in the field for the SSN.

My foreign worker received his or her Social Security number after I filed my wage report. What do I do?

Employers should file Form W-2c, *Corrected Wage and Tax Statement*, to include the Social Security number.

Idaho Changes Minimum Wage Law

The state's minimum wage law has been amended with the passage of H.B. 184. The bill links the state minimum wage rate to the federal rate. So when the federal minimum wage is increased the state rate will follow suit automatically. Effective July 1, 2007, tipped employees must be paid a minimum of \$3.35 per hour.

Nevada to Increase Minimum Wage

The Labor Commissioner has announced that the minimum wage will increase on July 1, 2007. The new rates will be: For employees to whom qualifying health benefits have been made available by the employer: \$5.30 per hour For all other employees: \$6.33 per hour.

New Hampshire Increases Minimum Wage

The legislature has passed and the governor has signed H.B. 514 which raises the state's minimum wage in two increments. The first increase will occur on September 1, 2007 and will increase the minimum wage to \$6.50 per hour up from \$5.15. The second increase will occur on September 1, 2008. The minimum wage will go up to \$7.25 per hour on that date. In addition, requirements for tipped employees will be changing. The minimum wage for tipped employees will be 45% of the applicable minimum wage.

Alabama Full-time students in temporary employment, who expect to earn less than \$1,875 during the taxable year, are no longer required to file a withholding exemption certificate (Form A-4E) with their employer.

California Employers in the city of San Francisco have until June 5 to implement a new ordinance requiring employees to receive one hour of paid sick leave for every 30 hours worked

Indiana Effective for wages earned after June 30, 2007, wages must be paid no later than 10 business days after the date they were earned.

Kentucky The state's minimum wage will increase to \$5.85 per hour, effective July 1, 2007

Ohio The tax rate in the city of Alliance will increase to 2%, effective July 1, 2007. The tax rate in the city of Willard will increase to 1.625%, effective Oct. 1, 2007.

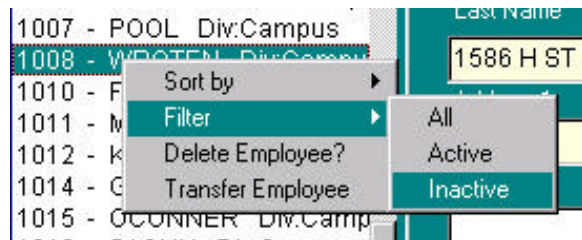
Texas Effective July 1, 2007, employers with 10 or more employees in any one calendar quarter must file their quarterly unemployment tax reports electronically or by magnetic media.

Utah Effective April 30, 2007, employers with 250 or more employees in any calendar quarter, and authorized employer representatives who file quarterly unemployment tax reports on behalf of 100 or more employers during any calendar quarter, must file contribution reports electronically or by magnetic media.

Q&A : PayMaster for Windows

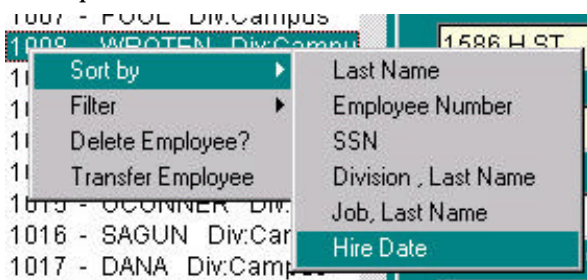
Q: An employee who no longer works with us has returned. I do not see them on the employee list and when I try to enter them as a new employee it says they are already in the system.

How do I reactive this employee?



A: By default the Setup/Employee/Setup screen shows just active employees. To find this "missing" employee just right-click on the list of employees and select Filter/All to see all employees or Filter/Inactive to just see the Inactive employees.

You will also see that there are some additional sort option available here.



Levies

Q. We recently received both an IRS levy and a child support income withholding order on the same employee. How should we proceed?

A. Priority between a federal tax levy and a child support order depends on which order was established first. If you received and entered the IRS tax levy before the child support order was established, then the IRS tax levy would take precedence over the child support order. On the other hand, funds being withheld according to a child support order are exempt from a federal tax levy if the family support order was in place when the levy was served.

To make sure that you are following proper procedure, you should contact the child support agency to let them know about this situation. The agency will advise you if the child support order was established prior to the date that the IRS levy was entered. If the order was not established prior to the IRS levy, the agency can then contact the IRS to determine if the levy may be modified to allow for withholding of any child support.

What's New in PayMaster for Windows

- 941 Updated for 2007.
- HI SUTA Mag Media.
- FL SUTA XML format
- New Precheck Style 4.
- Better select check handling.
- Better Direct Deposit handling of bad input.
- User entry of 8027 data.
- Last raise Excel export.
- Check Reconciliation Report with employee name.
- OH Local tax update for March 2007.
- GL Report w/ "Number of days in concurrent month".
- Payroll report now has option for ALL Separate and Straight To Printer.
- New SSNVS Magmedia (verifys batches of SSNs @ SSA.gov web site).

- Deduction Report can now select deductions with ctrl-click.
- New User Management Screen.
- New Hire Report can filter by state.

IMPORTANT:

Batch Screen users now have an additional tip-type available to them. Be Careful when inputting as the order of the columns have changed slightly. There are now two types of Indirect tips. Be sure you choose the correct one for your application.

W2 Printing for Tax Year 2007

The IRS has announced that W2 forms will have a slight change to the paper format for tax year 2007. The specification is not final yet but an early draft shows a change of the order of boxes. PayMaster for Windows will have an update as soon as the specification becomes final. All Auto Update user will receive this automatically.

As of Jan 30, 2007 we no longer support or offer updates for PayMaster for DOS. We encourage all the remaining DOS customers to please begin their plans to convert to our Windows product as soon as possible as **PayMaster for DOS will NOT be able to print W2s for tax year 2007.**

If you have not purchased the Windows program **please contact Brian for pricing at (703) 281-7486.** If you have an existing quote we will honor it.



If you have purchased and have not yet implemented the new system, please call for an appointment for installation. End of year is a busy time for all of us and we want to be able to offer you as much help as we can.

We recommend doing this conversion as soon as possible so you are able to verify your employee info and prior quarter conversion data and begin running mock payroll.

Thanks to all of our customers for your continued support.

Questions & Answers (cont)

Q: If an employee works two jobs at two different rates how does PayMaster calculate the employees overtime rate?

A: According to the Department of Labor, you must find out the employees regular rate of pay to determine the overtime rate. This is called the weighted overtime average.

EXAMPLE :

Step 1: Calculate total straight-time earnings

\$220.00 from \$10.00 per hour for 22 hours

\$520.00 from \$20.00 per hour for 26 hours

\$740.00 total straight-time earnings

Step 2: Calculate the regular rate of pay

Generally, the regular rate includes all payments made by the employer to or on behalf of the employee. The regular rate is determined by adding together the employee's pay for the workweek and all other earnings and dividing the total by the number of hours the employee worked in that week.

\$740.00 straight-time earnings divided by 48 hours worked = \$15.42 per hour

Step 3: Calculate the overtime premium pay

Remember the straight-time earnings have already been calculated for all hours worked, so the additional amount to be calculated for each overtime hour worked (i.e., the **overtime premium** pay) is one-half the regular rate of pay.

\$15.42 regular rate x 0.5 x 8 overtime hour(s) = \$61.68 additional half-time pay

Step 4: Add straight-time earnings and the additional half-time pay

\$740.00 straight-time earnings +

\$61.68 additional half-time earnings

\$801.68 total straight-time earnings and overtime pay

"Helping Employers Do Payroll Right"

Phone: 703-281-7486
Fax: 703-281-3461
E-mail: info@paymaster-pro.com

WE'RE ON THE WEB!

WWW.PAYMASTER-PRO.COM

Want PayMaster Pro to save you more ?

Based on popular feedback, PayMaster Hospitality is continuing our Customer Referral Program !

Do you know a colleague who you think might benefit from our program ? Are your colleagues still using a payroll service? Or are they struggling with payroll solutions that are not equipped to handle the restaurant industry? You can save them time and money and benefit your company at the same time !!!

**With each referral that leads to a sale, you will receive
12 Months of PayMaster Pro support service
absolutely FREE !**

Call Brian (703) 281 -7486 with your leads today !

TO :

501 Church St. Suite 306
Vienna VA 22180
Payroll the Right Way since 1983
We Value Your Business, Thanks Again!

PAYMASTER
Hospitality
It pays to know your business