

The Blue Pages

501 Church Street NE Suite 306 . Vienna Virginia 22180

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Volume 22, Number 1 / Spring- March 2005

PayMaster for Windows Update!

We are pleased to announce an increasing number of our Paymaster customers have purchased **PayMaster for Windows, Version 8**. We recommend that you purchase the product soon so that you can schedule a timely installation this year. Some customers are considering waiting until the end of the year, which can present some logistical problems both for the hospitality payroll professional and for Computer Aid personnel as we are dealing with year-end payroll issues. Every customer has different needs and we like to dedicate significant resources to every installation....If everyone waits until the end of the year, then it will be more difficult to dedicate the time and attention we want to give every customer.

We also need to remind all of our PayMaster Classic clients that we will stop supporting old Paymaster on December 31, 2005. We envision significant changes to payroll, social security and related laws which cannot be supported beyond that point. (see inside: *The President's Plan for Social Security Reform*) Consider a small investment in **PayMaster for Windows** so that you can remain compliant with state and federal laws and agencies.

We want to thank all of our new **PayMaster for Windows** customers for their support and look forward to working with our other existing customers as they transition to the Windows product.

Authorized Reseller of Time America Products

We offer a suite of time attendance monitoring system solutions that have been designed to meet the needs of any company in any industry. Whether you're looking for a basic time attendance monitoring system or an enterprise-class workforce management system, we can provide a solution tailored to your company's requirements.

We offer a complete range of web-based, client-server or desktop solutions that interface to most popular payroll and financial software packages. (Continue on page 6)

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Important Tax Information Inside

2005 Fact Finder contains Pension Plan, Social Security, Federal Mileage rates, State Unemployment Insurance rates and limits and more.

See pages 2 and 3

IRS Releases 2005 Forms W-2 and W-3

The IRS has issued the 2005 Forms W-2 and W-3, and their instructions. The instructions detail changes to the forms, including the addition of new codes and the elimination of magnetic media filing methods.

In 2005, the IRS has added codes Q, Y, and Z to the list of codes for box 12. Code Q — nontaxable combat pay — should be used by military employers.

Code Y — deferrals under a §409A nonqualified deferred compensation plan, — relates to new IRC §409A, which was added by the American Jobs Creation Act of 2004. The new section provides that all amounts deferred under a nonqualified deferred compensation plan for all taxable years are currently includable in gross income unless certain requirements are satisfied. Code Z denotes income under IRC §409A on a nonqualified deferred compensation plan.

The IRS also reminds employers that the last year for filing Forms W-2 on tapes and cartridges was tax year 2004 (for forms timely filed with the SSA in 2005). The last year for filing Forms W-2 on diskette is tax year 2005 (for forms timely filed with the SSA in 2006).*

* Payroll Guide Newsletter Vol. 64 no. 5

In This Issue

PayMaster for Windows Update.....	1
Authorized Reseller of Time America Products	1 & 6
Tax Info & Fact Finder	2 & 3
State Tax Updates	4 & 5
President's Plan for Social Security Reform	5
Correction to Cafeteria Plan	5
Q & A	7
Welcome to the PayMaster Family .	8

COMPUTER AID, LLC

A USA Technology Company

Payroll-The Right Way - Since 1983™

2005 TAX RATES

INTERNAL REVENUE SERVICE			
	2005	2004	IRC ref.
Salary Deferral (pretax) Limits			
• \$401(k)/\$403(b)/SEP/ \$501(c)(18)(D)	\$ 14,000	\$ 13,000	\$402(g)(1)
• SIMPLE Plans	10,000	9,000	\$408(p)
• state/local govt.; tax exempts	14,000	13,000	\$457
-- \$401(k) catch-up contributions	4,000	3,000	\$414(v)(2)(B)(i)
-- Other catch-up contributions	2,000	1,500	\$414(v)(2)(B)(ii)
Section 415 Annual Benefits Limits			
• defined benefit plans	\$ 170,000	\$ 165,000	\$415(b)(1)(A)
• defined contribution plans	42,000	41,000	\$415(c)(1)(A)
Compensation Limits			
• qualified plans	\$ 210,000	\$ 205,000	\$401(a)(17)
• collectively bargained	210,000	205,000	\$401(a)(17)
• governmental plans	315,000	305,000	\$401(a)(17)
Highly Compensated Levels			
• at any time 5% owner	no limit	no limit	\$414(q)(1)(A)
• any employee	\$ 95,000	\$ 90,000	\$414(q)(1)(B)
• one of top-paid employees	optional	optional	\$414(q)(1)(B)
Key Employee Levels			
• highly compensated employee/officer	\$ 135,000	\$ 130,000	\$416(i)(1)(A)(i)
• 10 highest paid employees with largest interest	N/A	N/A	\$416(i)(1)(A)(ii)
• 5% owner	no limit	no limit	\$416(i)(1)(A)(iii)
• 1% owner	150,000	150,000	\$416(i)(1)(A)(iv)
SEP Plans			
• mandatory plan participation	\$ 450	\$ 450	\$408(k)(2)(C)
• compensation amount	210,000	205,000	\$408(k)(3)(C)
-- collectively bargained	210,000	205,000	\$408(k)(3)(C)
ESOP			
• threshold for exception to 5-yr. distribution requirement	\$ 850,000	\$ 830,000	\$409(o)(1)(C)(ii)
• incremental amt. for distribution	170,000	165,000	\$409(o)(1)(C)(ii)
Control Employees			
• private sector			
-- board or shareholder-appointed or elected official	\$ 85,000	\$80,000	Reg. \$1.61-21(f)
-- any employee	170,000	165,000	Reg. \$1.61-21(f)
• governmental employee	131,400	127,300	Reg. \$1.61-21(f)

SOC. SEC. (OASDI) & MEDICARE (HI) TAX				
Year	Fund	Wage Limit	Rate	Max. Tax
2005	OASDI	\$90,000	6.20%	\$5,580.00
	HI	All wages	1.45%	No limit
2004	OASDI	\$87,900	6.20%	\$5,449.80
	HI	All wages	1.45%	No limit

FEDERAL UNEMPLOYMENT TAX			
Wage Limit	Rate	Maximum Credit	Deposit Rate
\$7,000	6.2%	5.4%	0.8%

TAX-FREE COMMUTING BENEFITS	
Employee Parking	\$200 per mo.
Transit Passes	\$105 per mo.
Van Pools	\$105 per mo.

FEDERAL MILEAGE RATES		
	2005	2004
Business mileage	\$0.405	\$0.375
Relocation	\$0.15	\$0.14
Charitable	\$0.14	\$0.14
Medical	\$0.15	\$0.14

Federal Minimum Wage	
	\$5.15 per hour

LUXURY CAR Vehicles not eligible for Cents-Per-Mile rule*	
If car placed in service in . . .	Value cannot exceed . . .
2005	\$14,800
2004	\$14,800

*If the cents-per-mile method cannot be used, the employer must use the annual lease-value method or a general valuation standard to determine the value of an employee's personal use of a company-provided vehicle.

2005 Fact Finder

State UI Wage Bases			Supplemental Rates
STATE	2005	2004	2005
AL	\$ 8,000	\$ 8,000	5%
AK	\$27,900*	\$27,100	N/A
AZ	\$ 7,000	\$ 7,000	follows federal rule
AR	\$10,000	\$10,000	7%
CA	\$ 7,000	\$ 7,000	6%, 9.3% on options
CO	\$10,000	\$10,000	4.63%
CT	\$15,000	\$15,000	(1)
DE	\$ 8,500	\$ 8,500	(1)
DC	\$ 9,000	\$ 9,000	(1)
FL	\$ 7,000	\$ 7,000	N/A
GA	\$ 8,500	\$ 8,500	2% to 6%
HI	\$32,300*	\$31,000	(1)
ID	\$27,600	\$27,600	7.8%
IL	\$10,500*	\$ 9,800	3%
IN	\$ 7,000	\$ 7,000	3.4%
IA	\$20,400*	\$19,700	6%
KS	\$ 8,000	\$ 8,000	5%
KY	\$ 8,000	\$ 8,000	(1)
LA	\$ 7,000	\$ 7,000	2.1% to 4.8%
ME	\$12,000	\$12,000	5%
MD	\$ 8,500	\$ 8,500	no provision
MA	\$14,000	\$14,000	(1)
MI	\$ 9,000	\$ 9,000	3.9%
MN	\$23,000*	\$22,000	6.25%
MS	\$ 7,000	\$ 7,000	(1)
MO	\$11,000*	\$ 8,000	6%
MT	\$21,000*	\$20,300	6%
NE	\$ 7,000	\$ 7,000	5%
NV	\$22,900*	\$22,000	N/A
NH	\$ 8,000	\$ 8,000	N/A
NJ	\$24,900*	\$24,300	(1)
NM	\$17,200*	\$16,800	6%
NY	\$ 8,500	\$ 8,500	8.2%
NC	\$16,700	\$16,200	6%
ND	\$19,400*	\$18,500	3.92%
OH	\$ 9,000	\$ 9,000	3.5%
OK	\$13,800**	\$14,300	6.65%
OR	\$27,000	\$27,000	9%
PA	\$ 8,000	\$ 8,000	3.07%
PR	\$ 7,000	\$ 7,000	(1)
RI	\$16,000*	\$14,000	(1)
SC	\$ 7,000	\$ 7,000	7%
SD	\$ 7,000	\$ 7,000	N/A
TN	\$ 7,000	\$ 7,000	N/A
TX	\$ 9,000	\$ 9,000	N/A
UT	\$23,200*	\$22,700	(1)
VT	\$ 8,000	\$ 8,000	7.2%
VA	\$ 8,000	\$ 8,000	(1)
VI	\$18,600*	\$18,400	N/A
WA	\$30,500*	\$30,200	N/A
WV	\$ 8,000	\$ 8,000	3% to 6.5%
WI	\$10,500	\$10,500	4.6% to 6.75%
WY	\$16,400*	\$15,900	N/A

* Increase ** Decrease (1) Add to regular wages, compute tax on total, and subtract tax withheld from regular wages. + Based on info available as of Jan. 15, 2005.

Disability Wage Bases	
2005	
California	\$79,418
Hawaii	Employee's weekly wage
New Jersey	\$24,900
New York	Employee's weekly wage
Puerto Rico	\$ 9,000
Rhode Island	\$49,000
2004	
California	\$68,829
Hawaii	Employee's weekly wage
New Jersey	\$24,300
New York	Employee's weekly wage
Puerto Rico	\$ 9,000
Rhode Island	\$46,800

INFORMATION AIDS	
Internal Revenue Service	
General Info	1-800-829-1040
Forms	1-800-829-3676
Information Reporting	
Hotline	1-304-263-8700
EFTPS	
Customer Service	1-800-555-4477
	1-800-945-8400
Bulletin Boards (BBS)	
Forms and Pubs.	1-703-321-8020
Info Reporting	1-304-263-2749
	(use with personal computer)
Internet Homepage	
	http://www.irs.gov
Social Security Administration	
General Info	1-800-772-1213
Annual Wage	
Reporting BBS	1-410-965-1133
	(use with personal computer)
Internet Homepage	
	http://www.socialsecurity.gov



State Tax Updates

ALASKA — Employers are now able to file their quarterly, unemployment contribution reports on-line.

ARKANSAS — Withholding tables issued in 1998 continue to be in effect.

CALIFORNIA — Employers directly affected by damage resulting from the severe storms and mudslides in Kern, L.A., Orange, Riverside, San Bernardino, San Diego, Santa Barbara and Ventura counties may request up to a 60-day extension of time to the EDD (Employment Development Department) to file their state payroll reports and deposit state payroll taxes without penalty or interest. Extension only applies to the fourth quarter of 2004 and first quarter of 2005.

COLORADO — January of 2005, the Colorado Department of Revenue revised its computer form specifications for Form DR-1093, *Income Withholding Transmittals or Annual Reconciliation*.

CONNECTICUT — The Connecticut Department of Revenue Services has advised married couples that they may need to increase or decrease the amount of Connecticut tax withheld from one spouse's wage income to avoid under-

withholding or overwithholding that may result when both incomes are combined. To minimize this problem, taxpayers should use the Supplemental Table for Married Couples Filing Jointly to adjust their withholding. This table is included in Form CT-W4, which is available from employers.

HAWAII — Gov. Linda Lingle proposed lowering the unemployment insurance taxable wage base.

(See the Governor of Hawaii Web site)

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Published quarterly by
Computer Aid LLC
and distributed to all registered licensees of *PayMaster™*.

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IDAHO — The taxable wage base has **increased to \$28,000** (previously \$27,600). Employer contribution rates for experienced employers in 2005 range from 0.429% to 5.4%. New employers pay 1.5%. The above rates include the workforce training tax.

Form 956, *Idaho Withholding Reconciliation*, is available to be filed on-line [State Tax Commission Web site]

IOWA — Iowa will issue **new withholding tables to take effect April 1, 2005**. The new tables do not yet appear on the Department of Revenue Web site.

The Department of Revenue is no longer distributing paper forms for filing withholding reports. "E-file and Pay" must be used.

KENTUCKY — Unemployment—Schedule C is in effect for 2005. Contributions rates for experienced employers range from 0.5% to 9.5%. New construction employers pay 9.5%.

MASSACHUSETTS — Effective for tax year 2005, the maximum gross income exclusion for **(1) employer-provided parking is \$205 per month (up from \$200), and (2) combined employer-provided vanpool and transit pass benefits is \$80 per month (up from \$75)**.

The Massachusetts Department of Revenue has updated the publication, *Guide to Withholding of Taxes and Wages*, for 2005.

MINNESOTA — Unemployment—Effective with the second quarter unemployment insurance wage detail and tax filing due in July 2005, **reports can no longer be submitted on diskettes, CDs, or tape cartridges**. In addition, files produced by state-supplied software will not work and paper reports will not be accepted. The following on-line filing methods can be used to submit reports: (1) File upload—attach electronic wage file format; (2) Copy from previous quarter—modify data from previous quarter on-line; (3) Manual entry—enter individual wage records manually on-line; and (4) FTPS (for employers reporting 500 or more employees—the file formats are the same as for file upload).

Timeliness of reports and payments will be determined by the date the report or payment is received and accepted.

NEBRASKA — Unemployment—Effective Jan. 1, 2005, the **maximum weekly unemployment benefit has increased to \$288 (previously \$252)**

[See State Web site]

NEW MEXICO — Unemployment—The unemployment tax rate for experienced employers will be determined under Reserve Schedule 0 in 2005. Rates range from 0.03% to 5.4%. Schedule 0 will remain in effect until: (1) Jan. 1 2008, or (2) the Jan. 1 following certification to the governor by the Secretary of Labor that the unemployment compensation fund is less than 2.5% of the total payroll, whichever is earlier. Previously the rates had been reported with a range of 0.05% to 5.4%

NEW YORK — Employer contribution rates for experienced employers in 2005 continue to range from 1.5% to 9.9%, including a 0.075% reemployment tax and a subsidiary tax ranging from 0.525% to 0.925% depending on the employer's account percentage. The rate for new employers remains 4.1%. This rate includes the reemployment tax and the subsidiary tax.

OHIO — Unemployment— For 2005, the maximum weekly unemployment benefit amounts are \$331 for an individual with no dependents, \$401 for an individual with one or two dependents, and \$446 for an individual with three or more dependents.

SOUTH DAKOTA — Unemployment— New legislation has been enacted regarding transfers of experience rating accounts and assignment of unemployment insurance tax rates. Penalties will be assessed against persons who violate state law in determining contribution rates.

UTAH — Unemployment— The maximum weekly unemployment benefit amount has increased from \$362 to \$371. [See State Web site]

Withholding— The Utah State Tax Commission has announced that tax relief will be offered to Utah taxpayers who have suffered loss of destruction of property in the recent floods in parts of the state. Eligible residents and businesses required to file state withholding tax returns for the period between Jan. 11 and April 15, 2005, will be given up to 60 days from the original tax filing due date to file without penalty or interest.

VIRGINIA — Unemployment— New legislation revises the computation of weekly unemployment benefits for individuals receiving a pension. * *

* * Excerpts from Payroll Guide Newsletter Vol. 64 no. 4



Social Security reform has become a hot issue again, as President Bush has been making the rounds—both in his State of the Union address and his stops across America—touting his plan to create personal retirement accounts for workers.

Bush has faced opposition from the Democrats, who claim that the President is exaggerating the Social Security program's plight and that the privatization attempts will endanger the retirement savings of millions of Americans. Congressional Republicans, on the other hand, have so far stayed relatively quiet on the matter, seeming to adopt a "wait-and-see" attitude. Whatever the outcome of the President's plan, changes to the Social Security program are envisioned and will certainly affect the payroll industry.

The Plan

Bush's plan would phase in personal retirement accounts beginning in 2009, for workers born in 1965 and earlier. By 2011, all workers born after 1950 would be eligible for the accounts. Workers born before 1950 would not see any changes in the way that their Social Security benefits are handles. * * *

Correction to Cafeteria Plan Section of Fringe Benefits Guide

Those who downloaded the 2005 version of Publication 15B, *Employer's Tax Guide to Fringe Benefits*, from the IRS Web site before Feb. 3, 2005 should note the following correction: "The discussion of cafeteria plans on pages 2 and 3 **incorrectly indicated that health savings accounts could not be included in cafeteria plans.** Previous references to health savings accounts have been deleted from the text under "Qualified benefits" and "Benefits not allowed" in that discussion.

A previous error in the guide stated that the standard mileage rate an employer can use under the cents-per-mile rule to value the personal use of a vehicle had increased to 41.5 cents a mile in 2005 (previously 37.5 cents). The 2005 standard mileage rate under the cents-per-mile rule has actually only **increased to 40.5 cents a mile.** The IRS revised Pub 15-B on Jan. 28, 2005 to correct this error. * * *

* * * Payroll Guide Newsletter Vol. 64 no. 4

Software Products

(continued from page 1)

NETtime™

A 100% Web-based application designed for companies of any size, NETtime offers a fast, easy and customizable method of entering time card and time sheet information that is accessible from anywhere. NETtime allows you to control all aspects of time and labor management, reduce administrative costs of time and attendance data collection, and track department and project costs. This enables you to increase your company's productivity and profitability on a "pay as you go" basis with minimal up-front costs.

TA50XL & TA50 PRO

Low-cost turn-key systems for companies up to 200 employees, TA50XL and TA50 PRO are our all-in-one packages that include terminal, software, cable and badges. Smaller businesses can now benefit from automated time and attendance, labor scheduling and department labor distribution. A user-friendly step-by-step wizard makes installation and setup fast and easy.

TA100 PRO

For companies that demand more functionality, TA100 PRO builds upon the technology of TA50XL and TA50 PRO by adding additional levels of employee distribution, auto processing, electronic approvals, benefit administration and a graphical status board.

GENESIS PRO & GENESIS SQL

GENESIS PRO and GENESIS SQL are powerful software systems designed to automate timekeeping, scheduling, and job costing in larger companies. The systems are among the most comprehensive in the industry, boasting such features as multi-scheduling, occurrence ratings, web entry and access control.

Data Collection Options

Time America offers a wide array of data collection and communications methods. You can "mix and match" options to suit your environment, your data collection requirements, and the types of employees that will be using the system. Next is a quick summary to help you determine which device will be the best fit for your employee population.

Badge Terminal

Badge swipe terminals are both easy to use and configurable. Our barcode and magnetic stripe badge readers can be used in stand-alone or networked environments.



Biometric Unit

Biometry is the statistical analysis of biological observations and phenomena. It is also the new standard for time and attendance data collection devices. Instead of utilizing badges or passwords, which can be lost or forgotten, the hand punch terminals verify an employee's identity based on the unique size and shape of their hand. This new data collection device adds security and a fast ROI cycle to your solution by eliminating "buddy punching"



Web-enabled/browser-based

With Time America's WebClock, employees can clock in/out, view their schedules, hours, available benefits and submit time sheets using their Web browser through a PC or cell phone.

Software Based

Clock in or out, review hours or schedules, change departments or jobs, and submit time sheets - all from any PC on the network. Ideal for office environments and call centers.



New U.S. Labor Dept . Regulations

The U.S. DOL has changed the federal Fair Labor Standards Act. (FLSA) child-labor regulations in ways that could affect many hospitality employers.

- **14 and 15 year-olds:** Cooking and other activities; For many years the regulations have not allowed these minors to engage in baking or in most kinds of cooking. There had long been a limited exception for employment in retail or food-service establishments as to the sort of cooking that typically takes place at snack bars, lunch counters, cafeteria serving counters, or soda fountains, at least where the minor's cooking occurred in the customers' plain view.

The FLSA's child-labor limitations are extensive and applied strictly. Violations can be substantial: civil penalties up to \$11,000 per illegally employed minor, and it is not uncommon for restaurants, lodging establishments, food-service operations, and the like to be hit with major fines. As usual, employers must also be sure to follow all state and local requirements and limitations. Many such jurisdictions have even-greater restrictions upon the employment of minors and provide for more stringent penalties. **

** Exert from article written by John Thompson

Q & A

Q Does *Paymaster* run on Windows 2000/XP?

A Yes.

There are two changes to be made in order for *PayMaster* to run properly on these 2 operating systems.

1) You must add two lines to a file called config.nt .

This file is usually found in your WINNT\system32 folder but it might be easier to find it by using the search feature off the start menu. Once located, right click and open with notepad. Add these two lines at the end of this file.

```
files=100
```

```
buffers=100
```

2) Once *PayMaster* is running it is often difficult to get it to run full screen properly. First start *Paymaster* in a window and then right click on the top bar to the left and select Properties. Select the Font tab and change the default font to Lucida Console 20 pt. Next select the Layout tab and make sure both the screen buffer and windows size both read 80 for width and 25 for height. Then from the Options Tab select Full Screen. Click OK. You will then be prompted and select the second option " Modify the shortcut that started this window."

Q What is tip credit and how is it calculated?

A Employees such as waitresses or bartenders typically earn tips in addition to their wage. In such cases, the employer might be able to reduce the minimum wage to \$2.13. The **TIP CREDIT** can be used to reduce the minimum wage only if the employee regularly earns more than \$30 per month in tips. So, actual tips received plus the cash wage must equal the required minimum wage.

EXAMPLE:

Federal Minimum Wage =Tip Credit + Minimum Cash Wage
\$5.15 per hour = \$3.02 per hour + \$2.13 per hour

Q How does *PayMaster* calculate overtime for tipped employees? Why isn't it 1½ times their hourly rate?

A The overtime rate for tipped employees is not, as many people think, 1½ times their hourly rate. Instead, it's 1½ times the minimum wage, less the dollar amount of the hourly tip credit. This amount varies by state and can be different for each employee (some are paid at a higher rate). No need for you to worry about the calculation —

PayMaster does it for you as long as you have correctly entered your state and federal minimum wage and your state's tip credit percentage in INIT / DIVISION / DIVISION and in INIT / COMPANY / COMPANY.

Example: A server in Virginia, where the tip credit percentage allows a tipped pay rate of \$2.125 has a tip credit of \$3.025. Overtime is calculated by *PayMaster* as \$4.70:

Minimum Wage	\$5.15
Times 1½	<u>x 1.5</u>
Equals	\$7.725
Minus tip credit	<u>- 3.025</u>
Equals overtime rate	\$4.70

For a server in the same state earning \$2.75/hour, the overtime rate would be \$5.325 — \$7.725 minus that server's tip credit of \$2.40.

Q As an employer, what rules should I follow when withholding from employees who reside in the same state as the company but work in another state?

A When an employee's state of residence is different from the state in which he works, the general rule is that the employer must withhold state income tax for the state in which the employee works. However, there are both exceptions and complications to this rule. The employer must check the withholding rules of both the state in which the employee works and the state in which he lives. Arizona, for example, doesn't require withholding from wages for work performed by its residents in another state, regardless of whether the other state requires withholding. Arkansas only requires withholding if the other state doesn't require it. There is no blanket answer to this question, you will need to check with your local state laws.

**Welcome to the PayMaster for
Windows Family. The most
recent members include:**

Shaw's Accounting in Virginia
Fager's Island in Maryland
One World in Indiana
Treasure Ship in Florida
The Irish Lion in Indiana
The Crow's Nest in Florida
Taco John's in Montana
Baker Street in Virginia

**Schedule your installation today so
that you can.....**

**Begin using the robust features
of PayMaster for Windows,
Including:**

- Versatile Reporting Features
(history, dates, selection)
- Custom Reports
- Multit-user support
- Integrates with popular time clock
and POS systems

Stay compliant with tax laws that are
constantly changing

Contact Blake Badolato at 703.801.1974 to purchase the new software

See New Tax
Rate Changes
For 2005
Pages 4 and 5