

# THE BLUE PAGES

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## Paymaster Pro for Windows & Time America



The blue pages are swinging back into gear and Paymaster Pro is running more efficiently than ever!

Paymaster Pro LLC, has been serving the hospitality sector since 1983 and been a valued Time America dealer. Over the past two years, we have been developing a new software program that interfaces with TA100PRO and GenPro, time and attendance software/hardware.

Developed exclusively for the hospitality industry, easy-to-use Paymaster Pro integrates with time clocks and other popular POS systems to track, manage and report

employee tips, higher-pay shifts, multiple incomes, and more. Paymaster Pro has features no other payroll software offers. Plus, with its ability to save employers' time and money and protect them from costly Dept. of Labor and IRS problems, **Windows-based Paymaster Pro will pay for itself!**

### Points of Interest!

- ◆ **Look out for tax changes in your state!**
- ◆ **IRS Finalizes Supplemental Wage Regulations**
- ◆ **New IRS Publication on Designated Roth Accounts**
- ◆ **Paymaster Pro in-house W2 Printing available now!**

## IRS Finalizes Supplemental Wage Regulations

The IRS has finalized changes to existing supplemental wage regulations pertaining to the mandatory flat rate method of withholding. The regulations reflect changes in the law made by the American Jobs

Creation Act of 2004 and are applicable to payments made after Dec. 31, 2006. The regulations finalize proposed rule changes issued in January 2005. Under the 2004 Act, the optional flat rate method

for withholding on supplemental wages *generally* remains at 25% for payments made after Dec. 31, 2004, unless

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***“Supplemental wages include any wages paid by an employer that are not regular wages.”***



## Supplemental wages (Continued.)

income tax rates change. However, the Act also provided that, if an employee receives supplemental wages in excess of \$1 million from an employer in a calendar year, the excess of the supplemental wages over \$1 million is subject to mandatory income tax withholding at the highest income tax rate (currently 35%). In determining whether an employer has reached the \$1 million threshold for an employee, supplemental wage payments from all businesses under common control and from agents are taken into account.

### Definitions

The final regulations provide that supplemental wages include any income paid by an employer that are not regular wages. Regular wages are defined as amounts paid by an employer for a payroll period, either at a regular hourly rate or in a predetermined fixed amount. Wages that vary from payroll period to payroll period, based on factors other than the amount of time worked, are classified as supplemental wages. Examples of wage payments that are considered supplemental wages include reported tips, overtime pay, bonuses, back pay, commissions, wages paid under reimbursement or other expense allowance arrangements, nonqualified deferred compensation includible in wages, wages paid as non-cash fringe benefits, sick pay paid by a third party as an agent of the employer, amounts that are includible in gross income, income recognized on the exercise of a non-statutory stock option, wages from imputed income for health coverage for a nondependent, and wage income recognized on the lapse of a restriction on restricted property transferred from an employer to an employee.

The final regulations eliminate the rule that a payment can qualify as supplemental wages only if regular wages have been paid to the employee. Payments that satisfy the basic definition of supplemental wages will be classified as supplemental wages, regardless of whether the employee has received any regular wages in his career with the employer. For example, if an employee's compensation consists only of income from the exercise of non-statutory stock options and non-cash fringe benefits, such wages will be supplemental wages for federal income tax withholding purposes. The regulations include examples of supplemental wages and regular wages.

The regulations permit employers to treat tips and/or overtime pay as regular wages. This treatment does not have to be applied uniformly to all employees. The regulations do not allow employers to treat commissions, third party sick pay, or taxable fringe benefits as anything other than supplemental wages.

### Procedures for Withholding on Supplemental Wages

The final regulations continue to provide that, if an employee has not received cumulatively more than \$1 million of supplemental wages during the calendar year, an employer can (1) add the supplemental and regular wages for the most recent payroll period in the current year, then figure the income tax withholding as if the total were a single payment (aggregate method), or (2) withhold on the supplemental wages at a flat rate specified in the regulations (optional flat rate withholding method — currently 25%).

The regulations retain the rule that income tax must have been withheld from the regular wages of the employee in order for optional flat rate withholding to be available to employers. The income tax withholding requirement will be satisfied if income tax has been withheld from regular wages paid during the same year as the payment of supplemental wages, or during the preceding calendar year.

### **Supplemental wages over \$1 million**

The final regulations state that if an employee received supplemental wages in excess of \$1 million from an employer in a calendar year, the excess of the supplemental wages over \$1 million is subject to mandatory income tax withholding at the highest income tax rate (currently 35%). In addition, they would have to track all supplemental wages paid to determine whether mandatory flat rate withholding applied. The final regulations do permit employers to treat the entire amount of a supplemental wage payment that results in an employee receiving total supplemental wages in excess of \$1 million as subject to mandatory flat rate withholding. Paymaster Pro is currently equipped and up to date as far as handling these supplemental wages and tax procedures. We can handle it for you correctly the first time!

## **New IRS Publication on Designated Roth Accounts**

The IRS has issued a new publication on "designated Roth accounts"

A "designated Roth account" is a separate account plan to which "designated Roth contributions" are made, and for which separate accounting of contributions, gains, and losses is maintained.

Designated Roth contributions are elective contributions that, unlike pre-tax elective contributions, are currently includible in gross income. If an IRC §401(k) or IRC §403(b) plan is going to provide for designated Roth contributions, it must also offer pre-tax elective contributions.

The new publication includes frequently asked questions on designated Roth account contributions and distributions. It also compares the features in Roth §401(k), Roth IRA, and traditional §401(k) retirement accounts.

## **Spreadsheet Software Program Can Be Used to Verify Social Security Numbers**

The Social Security Administration (SSA) is advising employers that they can verify up to 250,000 names/Social Security numbers by using a spreadsheet software program to create a Social Security Number Verification Service (SSNVS) file. The information must be put in the correct format. Employers using Microsoft Excel must make sure that the file is not in the ".xls" format or the electronic file submission will not be processed successfully. To create the file, employers will need one column that is at least 130 characters long. This column will hold all data for each record. The specifications for the record layout can be found in the SSNVS Handbook on the SSA Web site.

## Domestic Per Diem Rates Issued for Year Beginning in October

The General Services Administration has issued the federal domestic per diem rate tables for fiscal year 2007. The rates are in effect from Oct. 1, 2006, through Sept. 30, 2007. The table is used by employers who pay a per diem allowance to employees for business travel away from home within the continental United States. The maximum standard per diem rate for locations not listed in the table remains at \$99 (maximum lodging rate of \$60 and maximum meal and incidental expense rate of \$39). Lodging rates for locations listed in the table range from \$60 to \$301. Meal and incidental expense rates for locations listed in the table range from \$39 to \$64. Several locations in Colorado, Connecticut, District of Columbia, Kentucky, Massachusetts, Maryland, Missouri, North Carolina, New York, Oregon, Pennsylvania, Virginia, and Wisconsin have been redefined for fiscal year 2007. The new rate table and the location changes are on the GSA's Web site <<http://www.gsa.gov/perdiem>>.



## State Specific Tax Updates

### OHIO

#### Withholding

Updated employer withholding tables for payrolls ending after Sept. 30, 2006 have been released. The tables include the percentage method for calculating withholding as well as biweekly, weekly, monthly, and semimonthly withholding schedules.

\*Auto update users can contact Paymaster for updated tax tables.\*

### MAINE

The minimum wage will increase from \$6.50 per hour to \$6.75 per hour on October 1, 2006.

### ARKANSAS

The minimum wage will increase from \$5.15 per hour to \$6.25 per hour on October 1, 2006. The tip credit will also increase to 58% on the same date. Employers may pay tipped employees at a rate of \$2.63 per hour, provided that the total amount earned by the employee in tips and wages equals or exceeds \$6.25 per hour.

### W2 & You!

**Big Changes for W2 this year!** For your 2006 W2s we have tried to simplify both the W2 ordering and the W2 printing. In the 4th Quarter we will be releasing an update to the Windows version of Paymaster that will allow you to print W2's on blank perforated paper.

No more alignment problems as you will be printing both the forms and the data on the blank perforated forms. You just align the half inch margins through our interface one time and all your State / Local / Employer copies are ready to go.

We also now have a choice of 3 up and 4 up copies for the employee copies. States without a local tax can now use the newly available three copy employee W2.

Form ordering is simplified as well. No need to remember if you need Copy 1,2,D as all the black forms can be printed on the same type of paper. Plus any extra forms you order can used next year.



**To order:**

First determine how many W2 you will be printing. \_\_\_\_\_

**If you are not a Magnetic Media Filer**

1.) Federal Copy A (RED) \_\_\_\_\_

2.) Employee Copy no local (3-up) \_\_\_\_\_  
or  
Employee Copy w/ local (4-up) \_\_\_\_\_

3.) State Tax ? \_\_\_\_\_  
+Local Tax ? \_\_\_\_\_  
+Employer Copy \_\_\_\_\_

=Total Black Copies \_\_\_\_\_

Remember The SSA no longer accepts year end W2 data on floppy.

**Yes, there is a way to avoid printing W2s. Let us print them for you!**

Purchase the forms but tell us to hold them. At the end of the year, send us your data along with the totals page from your plain paper W2s (after double checking the data). We'll print the W2s and ship them to you. Please call for price and scheduling information.



# THE BLUE PAGES

Payroll the right way - Since 1983

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**FIND US ON THE NEW WEBSITE!**

**[WWW.PAYMASTER-PRO.COM](http://WWW.PAYMASTER-PRO.COM)**

## Want Paymaster Pro to save you more?

Paymaster Pro Hospitality is now announcing our  
all new Customer Referral Program!!

*Is their a friend of yours who you think might benefit  
from our services? Attached is a referral form.*

With each referral that leads to a sale, you will re-  
ceive **(12 months!!)** of Paymaster Pro support ser-  
vice absolutely **FREE** of cost!

- TO

We value your business, Thanks again!

**Payroll the right way since 1983**

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