



2009 Year End Newsletter

Dear Client:

Please read this year-end newsletter carefully and keep it available for reference. It contains important information to help you prepare and plan for the busy months ahead.

COMMUNICATION OF YOUR YEAR-END ACTIVITIES IS CRITICAL.

If you have any questions, please ask your Payroll Specialist during your next scheduled payroll.

Check Dates

With the Thanksgiving, Christmas, and New Year's holidays it is critical that you review your payroll calendar to ensure your check dates are properly reflected. November 26th, December 25th, and January 1st are all banking holiday's and direct deposit transaction cannot be effective on these days. **IF YOU NORMAL CHECK DATE FALLS ON ONE OF THESE DATES AND YOU CHOSE NOT TO CHANGE YOUR CHECK DATE YOUR EMPLOYEES DIRECT DEPOSIT TRANSACTION WILL NOT BE DEPOSITED UNTIL THE NEXT AVAILABLE BANKING DAY.** Please take a moment to review your calendar prior to submitting your payrolls for processing. Our system will date your payroll checks and direct deposit transactions with the date on your calendar. In the event that you wish to change your check date you must notify your payroll specialist prior to submitting your payroll.

W-2 Edit Report

In late October you were sent a W-2 Edit Report. Please review your employee demographic information, such as names, addresses and social security numbers. This information is very important to ensure timely and efficient Year End Processing. After completing your review please return the W-2 Edit Report to your Payroll Specialist before Dec 4, 2009.

IRS Federal Deposit Notice

In late November, the IRS will mail tax deposit frequency change notices to all employers who have a change in their deposit frequency for 2010. If you receive one of these notices, please send us a copy for our records. *We do not automatically receive this information.*

Unemployment Insurance Rate Change for 2010

Please fax or mail us your 2010 unemployment rate notices. This information is very important for your 1st Quarter Returns in 2010. You should receive this information some time in the 4th quarter. Please note: RATE NOTICES RECEIVED AFTER 1/1/2010 WILL RESULT IN ADDITIONAL PROCESSING FEES FOR CORRECTING YOUR TAX LIABILITIES. We do not automatically receive this information from your state(s).

Void / Manual Checks with a Check Date for 2009

If you have any void or manual checks that have not been reported to your Payroll Specialist, please be sure to do so by your final payroll run of 2009.

Billing for Employee W-2 and 1099-Misc Returns

The charges for 2009 employee W-2 and 1099-Misc forms will be deducted from your account with the first payroll in February. Payroll Maxx will be using state of the art Laser Sealed W-2 forms this year. These W-2 forms ensure 100% security since they do not require an envelope with a window and all sensitive information is sealed inside the form before it is sent to you.

Missing ID or Social Security Numbers/Employee Address Information

If we are missing your federal or state identification number or a social security number or address for any of your employees, please report this information to your Payroll Specialist. Federal and state agencies can impose penalties for every employee without a social security number.

2010 401(k) Limits

The base limit goes unchanged in 2010, it remains \$16,500 with an available catch-up contribution of \$5,500 for those plans and employees who qualify. PLEASE NOTE THAT OUR SYSTEM WILL STOP 401(K) WITHHOLDING AT THE \$16,500 LIMIT. If you have employees who elect the catch-up contribution you MUST inform us so that the appropriate setting changes can be made.

Reporting Third Party Sick Pay (Disability Payments)

By law, insurance companies have until January 15, 2010 to report to you any disability insurance benefits paid to your employees during 2009. Should you receive notification of such payment after reporting your last payroll for the year, please contact your Payroll Specialist immediately.

If you expect to receive third party sick pay information on any employee after your last payroll, let your specialist know in advance. Since third party sick pay affects all fourth quarter and year-end returns, including W-2 forms, the processing of your returns will need to be delayed.

IF WE NEED TO DELAY OR HOLD PROCESSING OF YOUR YEAR-END FOR ANY REASON, PLEASE NOTIFY YOUR PAYROLL SPECIALIST AS SOON AS POSSIBLE.

Fringe Benefits

The value of personal use of company cars or other taxable cash or non-cash benefit must be included on Form W-2. Please report these benefits BEFORE your last payroll for the year. Reporting taxable benefits with cash wages allows the appropriate withholding taxes to be deducted from the employee's check. If these amounts are processed without wages, you may be required to pay the employee's portion of Social Security and Medicare taxes. Specific information about several types of benefits is provided below.

Group-Term Life Insurance

Please report the amount of group-term life in excess of \$50,000 before your last payroll for this year. The value is based on an IRS published table that assigns a value for each \$1,000 of excess coverage per month based on the employee's age.

The value of group-term life insurance in excess of \$50,000 that is included in total wages is FICA taxable, even if the insurance was provided through a cafeteria plan. As the employer, you are liable for the employee FICA if you decide not to withhold it.

Dependent Care Assistance

On Form W-2, employers are required to show in Box 10 (Dependent Care Benefits) the total amount of dependent care benefits paid or incurred for the employee, including any amount in excess of the \$5,000 exclusion. If you provided dependent care services to employees under an employer-sponsored program before your last payroll for the year, please report the benefits paid or furnished.

Flexible Spending Accounts (FSA)

Contributions to an FSA are made before taxes and are used to pay non-covered health and dental costs like co-payments, deductibles, eye care, braces, prescription drugs or hospital care. FSA's can also be used to help pay for childcare and approved adult care. This is not required to be shown on the W2 form, but can be added to box 14 if you prefer (see below).

Health Savings Accounts (HSA)

On Form W-2, employers are required to show in Box 12w any employer or employee contributions to a Health Savings Account.

Processing Bonus Payrolls / Fringe Benefits / Late Payrolls

We are continuing with our policy regarding bonus payrolls, fringe benefits (i.e., S-Corp Insurance, Group Term Life, etc.), and late payrolls. We need the enclosed forms signed and returned to us before these special year-end payrolls can be processed. If you need one of these payrolls, please fill out the appropriate form and return it to your payroll specialist as soon as possible. These forms are designed to help your payroll specialist accurately process these special types of payrolls. If you have any questions when filling out these forms please contact your specialist.

Reporting Amounts on Form W-2, Box 14

The IRS allows employers to use Form W-2, Box 14 (Other) to report information to their employees (e.g., charitable contributions, union dues). We can set up specific earnings/deduction codes to print in Box 14. If you want an earning/deduction code to print in Box 14, let your Payroll Specialist know during your next schedule payroll. Please review the earning/deduction code description you use. Only the first five letters of your earning/deduction code description will print in Box 14. This title should be as descriptive as possible. For example, an earning/deduction code labeled "Misc" may not be sufficient to substantiate a charitable contribution. Your Payroll Specialist can have your earning/deduction code descriptions adjusted if necessary. For each item you use, we will label beginning with 14A, 14B, and so on. You may have up to four items listed in Box 14. Please see the worksheet below for more details.

Box 14 Example

Box 14:

14A: 125_H

14B: 125_D

14C: DBL

14D: U_way

- 125 H = Section 125 (Pretax) Health
- 125 D = Section 125 (Pretax) Dental
- DBL = NYS Disability Insurance- employee contributions
- U way = United Way Contributions

W-2 and Year End Delivery Process 2009

- Year End Processing will begin within 48 hours of your last scheduled payroll unless you have notified us to place your account on hold.
- A MINIMUM CHARGE OF \$500.00 WILL APPLY IF WE HAVE TO RE-DO YOUR QUARTER/YEAR END PROCESSING.
- A W-2 Preview and Approval Form will be sent out with your quarter/year end tax return package. You will need to review these as soon as possible and return the Approval Form that will accompany the package. W-2's will be printed for distribution with 48 hours of receipt of your W-2 Approval Form. WE WILL NOT PRINT YOUR FINAL W-2'S WITHOUT THIS FORM.
- All W-2's will be delivered via UPS Ground.

IF WE NEED TO DELAY OR HOLD PROCESSING OF YOUR YEAR-END FOR ANY REASON, PLEASE NOTIFY YOUR PAYROLL SPECIALIST AS SOON AS POSSIBLE.

Social Security Wage Base Increase FOR 2010

The Social Security Old Age Survivors and Disability Insurance (OASDI) wage base will remain unchanged at \$106,800. Therefore, the maximum 2010 OASDI tax payable by each employee is \$6,621.60, or 6.2 percent of the wage base. That amount is matched by an equal contribution from the employer.

Child Support/Garnishment Calculations on Tipped Employees

For all clients who have tipped employees, Payroll Maxx will be making a change to the setup of Child Supports and Garnishments within our payroll software. As of January 1, 2010, we will no longer include tips in the calculation for disposable earnings for Child Supports or Garnishments. Our Legal Counsel has researched this issue and has advised us to change the calculation when tips are involved to only include wages owed by the employer, not tips collected directly by the employee and reported for tax purposes only. Legal Counsel advises that this change will help employers to more accurately respond to Garnishment and Child Support orders where tips are involved. Please feel free to contact us if you have any questions regarding this change.

Additional Services

For more information on Direct Deposit, Tax Service, Payroll Cards, Time Clock, Labor Distribution, Check signing, stuffing and insertion, please contact your Payroll Specialist.

Payroll Maxx Holiday Hours 2009/2010

Thursday, November 26, 2009

Closed

Friday, November 27, 2009

Open (8am-12pm CST)

Thursday, December 24, 2009

Open Regular Hours (8am-5pm CST)

Friday, December 25, 2009

Closed

Thursday, December 31, 2009

Open Regular Hours (8am-5pm CST)

Friday, January 1, 2010

Closed

IMPORTANT DATES 2009/2010

Monday, December 28, 2009

**THIS IS THE LAST DAY A BONUS
PAYROLL PAID BY DIRECT DEPOSIT
CAN BE PROCESSED.**

Tuesday, December 29, 2009

**THIS IS THE LAST DAY A BONUS
PAYROLL PAID BY LIVE CHECK
CAN BE PROCESSED.**

Tuesday, January 5, 2010

**THIS IS THE LAST DAY A PAYROLL
ENTRY CAN BE POSTED TO 2009 AND
THE ASSOCIATED FEDERAL TAXES
PAID ON-TIME.**

Third Party Sick Pay / Disability Payments

Please fax or mail this form to your payroll specialist no later than December 4, 2009

Company Name _____ **Date** _____ **Co. ID.** _____

Contact Name _____ **Phone Number** _____

I am expecting to receive notice from my Disability Insurance Carrier regarding payments made to employees in the fourth quarter after December 31, 2009. Therefore, **please hold** the processing of my quarterlies until I notify you that all Disability information has been received and any additions to the 2009 payroll have been made.

INTERNAL USE ONLY:

Company tax returns placed on hold

CSR Processed Third Party Sick Pay/Disability Payments

Company tax returns taken off hold

Tax department notified.

Additional Wage Form

Please fax or mail this form to your payroll specialist no later than December 4, 2009

Company Name _____ Date _____ Co. ID _____

_____ NO ADDITIONAL WAGE INFORMATION TO REPORT

If you will be reporting additional wage amounts in the tax year 2009, please complete this form and return it by December 4, 2009. Your payroll specialist will prepare your file so it is ready to receive these payroll amounts with the payroll.

✓ PC Input/Remote Clients: If you are planning to enter these additional amounts yourself and would like assistance or need new codes set up, please contact your payroll specialist.

Insurance Premiums for Group Term Life (GTL)

The IRS requires that excess premiums paid (coverage over \$50,000.) for group term life insurance be reported on all employees W-2 forms. (THIS ITEM MUST BE PROCESSED WITH A REGULAR PAYROLL RUN)

_____ We will be reporting annual insurance premiums for GTL for 2009, withhold all taxes.

_____ We will be reporting annual insurance premiums for GTL for 2009, Block Federal and State taxes.

Fringe Benefits

Under certain circumstances, the value of non-cash fringe benefits (e.g. personal use of automobile or employer paid vacations) must be considered income to employees.

_____ We will be reporting benefits that are fully taxable. Withhold all taxes.

_____ We will be reporting benefits that are fully taxable. Block Federal and State taxes.

_____ We will be reporting benefits that are FICA taxable only.

S-Corporation Health Insurance

Accident and health insurance coverage provided by an S-Corporation to its 2%-shareholder employees must be included in their income, and the cost of the premium must be reported on their W-2 forms as income.

_____ We will be reporting S-Corporation health insurance that is taxable for Federal withholding and FICA tax.

_____ We will be reporting S-Corporation health insurance that is Federal withholding taxable ONLY.

Other Additional Wage Information

_____ Allocated Tips

_____ Dependent Care

_____ Moving Expenses (Taxable)

_____ Moving Expenses (Non-Taxable)

_____ Third Party Sick Pay

_____ Golden Parachute Payments

_____ Unsubstantiated employee expense reimbursements

_____ Uncollected FICA on Tips

_____ Uncollected FICA on insurance premiums

✓ INTERNAL USE ONLY:

[] Logged Into Addtl Wage Spreadsheet

[] TSR Remove Tax Return Hold

[] TSR Code Setup/Tax Return Hold

[] CSR File Form with Payroll Run

[] CSR Run Payroll

Bonus Payroll Reply Form

*****PLEASE NOTE WE WILL NOT PROCESS A BONUS PAYROLL WITHOUT THIS FORM*****

Please fax or mail this form to your payroll specialist no later than December 4, 2009

Company Name _____ **Date** _____ **Co. ID.** _____

Contact Name _____ **Phone Number** _____

_____ **YES, AS A SEPARATE PAYROLL RUN**
_____ **YES, WITH A REGULAR PAYROLL RUN**

Period Ending Date _____ Processing Date _____ Check Date _____

- ✓ If you are using direct deposit, the processing date of your bonus payroll must be at least **THREE** business days before the check date.
- ✓ Keep in mind that **ONCE YOU PROCESS A BONUS PAYROLL, THE BONUS AMOUNTS WILL BE INCLUDED IN THE YEAR-TO-DATE SECTION OF ALL OF THE EMPLOYEE'S SUBSEQUENT CHECK STUBS**. Therefore, if you plan to present the bonus checks on a specific date, schedule your bonus payroll as the last payroll to process prior to the distribution of the bonus checks. This will prevent the bonus amounts from appearing on an earlier check stub.

On the processing date I would prefer:

_____ Fax in my bonus payroll to (402) 537-9485 OR _____ Email my bonus payroll to timesheets@payrollmaxx.com

_____ **Use the same Taxing/Payroll Options Same as Last Year**
OR

Taxing Options

Choose one of the following taxing options. (Consult your accountant for additional information regarding bonus taxation.) Your payroll specialist will use the information below to set up the appropriate taxation for your bonus payroll.

- _____ Take Regular Taxes
- _____ I will provide Payroll Maxx with pre-calculated gross-to-net figures.
- _____ Take supplemental wage tax for federal (25%) and applicable state, local and FICA Taxes.

Payroll Options

- _____ Block Direct Deposit and Issue All Checks
- _____ Block all voluntary deductions.
- _____ Block all voluntary deductions except for pensions
- _____ Block the voluntary deductions listed below

****IF YOU ARE NOT RUNNING A BONUS PAYROLL YOU DO NOT NEED TO SEND IN THIS FORM****

Please fax or mail this form to your payroll specialist no later than December 4, 2009

✓ **INTERNAL USE ONLY:**

- | | |
|---|---|
| <input type="checkbox"/> Bonus Payroll entered into Task List | <input type="checkbox"/> Bonus Payroll processed |
| <input type="checkbox"/> Bonus Template built | <input type="checkbox"/> Company tax returns taken off hold |
| <input type="checkbox"/> Company tax returns placed on hold | <input type="checkbox"/> Tax department notified |